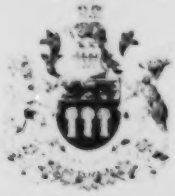
SASKATCHEWAN

# Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

*Understanding the Finances of the Government*

## 2002 Fall Report
## Volume 1



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**Vision**

We envision effective, open and accountable government.

**Mission**

We serve the people of Saskatchewan through the Legislative Assembly.
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September 10, 2002

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2002 Fall Report - Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

102-07398/

# Foreword

I am pleased to present my *2002 Fall Report – Volume 1* to the Legislative Assembly. This Report focuses on understanding the finances of the Government. Later this year, I will present Volume 2. Volume 2 will include the results of our work at government organizations with years ended March 31, 2002.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
September 10, 2002

# Understanding the Finances of the Government


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# Executive summary

In this report, we have two main focuses. First, we focus on the financial condition of the Government. Second, we focus on the Government's Budget and the need for a financial plan for the entire Government.

For our first focus, we measure the financial condition of the Government by using indicators from a research report commissioned by The Canadian Institute of Chartered Accountants.

First, we measure whether the Government lived within its means. Second, we measure the Government's flexibility to meet rising commitments by increasing its revenues or increasing its accumulated deficit. Third, we measure the extent to which the Government relies on money from the Federal Government to pay for existing provincial programs.

Using these indicators, we conclude that after seven years of gaining strength, the state of the Government's finances weakened over the past year. In 2002, the Government did not live within its means. The Government spent $483 million more than it raised in revenue. This increased the Government's accumulated deficit to $8.7 billion and thus reduced the Government's flexibility to meet its commitments. Also, in 2002, the Government relied more on the Federal Government to pay for provincial government programs. To some extent, the Government reduced the negative impact of these factors as it increased the value of its capital assets and reduced its interest costs.

Saskatchewan's accumulated deficit of $8.7 billion is large for one million people. Also, the provincial economy remains vulnerable to changes in commodity prices, interest rates, and the weather. The Government will have to carefully manage its future revenues and spending to ensure it maintains the benefits obtained through past improvements in its financial condition. These benefits include greater flexibility regarding revenue raising and spending decisions and lower interest costs.

We also include information to help readers compare the condition of Saskatchewan's finances to that of other provinces. At March 31, 2001, Saskatchewan's finances continue to compare favourably with most other provinces.

The second main focus of this report is on the Government's Budget. In this report, we continue to recommend that the Government publish a financial plan for the entire Government.

Currently, the Government's public financial plan focuses on the General Revenue Fund. That plan is not sufficient to have an informed debate on whether or not the people of Saskatchewan can afford new and existing government programs because it excludes a significant amount of the Government's revenue and spending. Also, a plan focused on the General Revenue Fund is not sufficient to inform people if the Government plans to live within its means.

The Government's public financial plan for 2002 said that the Government planned to raise $3 million more revenue than it would spend. The actual results for 2002 for this Fund showed that the Government raised $1 million more than it spent in 2002. Focusing only on this Fund could cause people to think that the Government had a plan for the entire Government for 2002 to live within its means and that for 2002 it did so.

However, the financial results for the entire Government show that the Government did not live within its means for 2002. The Government spent $483 million more than the revenue it raised. This is nearly a $1.0 billion turnaround from last year when the Government raised $461 million more than it spent. A published financial plan for the entire Government would improve the Government's accountability by allowing legislators and the public to assess whether this financial performance is better or worse than what was planned.

It is time to change the focus of the Government's financial plan from the General Revenue Fund to that of the entire Government. Across Canada, seven provincial governments and the Federal Government have already changed the focus of their financial plans to show their entire government. The only governments that do not focus their financial plans on the entire government are Saskatchewan, Newfoundland and Labrador, and Prince Edward Island.

We include further information on government budgeting in Canada in Appendix 4.

# Glossary

**Annual surplus or deficit** – is the difference between revenues and expenditures in one year. This measure shows the extent to which revenues raised in the year were sufficient or insufficient to meet expenditures in that year.

**Accumulated deficit** – is the sum of all annual deficits and surpluses. This deficit is equal to the difference between total liabilities and total financial assets.

**Liabilities** – are amounts owed. Liabilities include bonds and debentures, pension obligations, and a variety of other payables and claims. Total liabilities equal total debt.

**Financial assets** – are cash and other assets convertible to cash which are not intended for consumption in the normal course of operations, but which could provide resources to pay liabilities or finance future operations. Examples include claims on outside organizations, investments in marketable securities, and inventories for resale.

**General Revenue Fund** – is a special purpose fund that the Government uses to pay for some of the programs it provides. The financial statements of the General Revenue Fund reflect only a part of the Government's activities. The Government sets out a financial plan for the Fund in its annual budget. Transfers to and from other organizations that the Government controls impact the financial results of the General Revenue Fund.

**Government enterprises** – are self-sufficient Crown corporations that have the financial and operating authority to sell goods and services to individuals and non-governmental organizations as their principal activity. Examples include SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority. Their financial results are included in Schedule 3 to the summary financial statements.

**Government service organizations** – are organizations that are accountable to the Government and are either owned or controlled by the Government, and are not government enterprises. A listing of government service organizations is provided in Schedule 14 to the summary financial statements.

**Gross domestic product (GDP)** – is a measure of the value of the goods and services produced in a jurisdiction in one year.

**Own source revenue** – is the revenue raised by a provincial government from sources within the province and, thus, excludes revenue transferred to a provincial government from the Federal Government.

**Summary financial statements** – is a report of the financial results of all organizations that the Government uses to provide goods and services to the public. The summary financial statements combine the financial activity of all government organizations including departments, Crown corporations, agencies, boards, and commissions, etc.

# Key financial and economic indicators for Saskatchewan

(derived from the Government's summary financial statements)

(in millions of dollars)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annual Surplus (Deficit) | (752) | (1,676) | (900) | (281) | 141 | 563 | 545 | 326 | 69 | 406 | 461 | **(483)** |
| Accumulated Deficit | 7,879 | 9,555 | 10,455 | 10,736 | 10,595 | 10,032 | 9,487 | 9,161 | 9,092 | 8,686 | 8,225 | **8,708** |
| Gross Domestic Product (GDP) | 21,542 | 21,772 | 21,421 | 23,033 | 24,925 | 26,834 | 29,197 | 29,298 | 29,232 | 30,240 | 33,741 | **33,235** |

(in percentages)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accumulated Deficit as a % of GDP | 37% | 44% | 49% | 47% | 43% | 37% | 32% | 31% | 31% | 29% | 24% | **26%** |
| Interest Costs as a % of Revenue | 20% | 21% | 24% | 23% | 22% | 20% | 20% | 19% | 18% | 14% | 13% | **13%** |
| Own source revenue as a % of GDP | 17% | 17% | 18% | 18% | 18% | 20% | 18% | 19% | 18% | 19% | 18% | **16%** |
| Federal Government Transfers as a % of own source revenue | 43% | 46% | 37% | 37% | 33% | 19% | 16% | 12% | 21% | 27% | 17% | **28%** |

Notes 1. The Government's summary financial statements cover the fiscal year ending March 31.

2. As GDP statistics are not available for a fiscal year, we use GDP statistics for a calendar year in our analysis. For example, the GDP statistic in the 2002 column is for the year ended December 31, 2001. The GDP statistics were obtained from the Saskatchewan Bureau of Statistics. These GDP statistics are not adjusted for inflation.

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# Introduction

Our Office is often asked about the state of the Saskatchewan Government's finances. Legislators, government officials, and the public want to know whether the Government's finances are gaining strength or weakening, and why. Also, many want to know where they can obtain information that can help them make their own assessments.

A sound understanding of the Government's finances is an important ingredient to an informed debate about the issues faced by the Government. Those issues pertain to the affordability of programs and services; the best sources of revenue; and the maintenance of Saskatchewan's infrastructure including its buildings, roads, and dams.

In this report, we set out some financial and economic information to help Saskatchewan people to understand the state of the Government's finances. We continue to encourage the Government to publish overall financial planning information.

The information in this report is derived from the Government's statistical reports and from its summary financial statements contained in Volume 1 of the Public Accounts (the 2001-02 summary financial statements are set out in Appendix 5). The information is not adjusted for inflation.

In this report, we focus on the status of several financial and economic indicators for the years 1991 to 2002. The Government has prepared summary financial statements since 1992. In Appendix 1, we also set out other financial information and analyses in the form of questions and answers. This information is included to assist legislators, government officials, and the public to understand the state of the Government's finances.

## Interprovincial comparisons

We are also asked how the state of the Saskatchewan Government's finances compares with other provinces. Therefore, we include several graphs that will assist readers to compare the state of Saskatchewan's finances to those of other provinces. The most recent year for which complete information is available for all provinces is for the year ended March 31, 2001. This information is one year older than the information

used in the rest of this report. Saskatchewan completes its Public Accounts earlier than most other provinces.

Readers of these graphs should be aware that provincial governments are organized differently and that this can result in differences in how sectors of government are reported in their financial information. For example, some provincial governments include the results of health districts in their summary financial statements, while others do not. Also, the economic characteristics of provincial economies differ. For example, some provincial governments obtain significant revenue from non-renewable resources such as oil and gas, while others do not.

To prepare these graphs, we used Gross Domestic Product (GDP) statistics for the year ended December 31, 2000, which we obtained from Statistics Canada. This information was prepared for each province and is available on the Internet at: http://www.statcan.ca/english/Pgdb/Economy/Economic/econ15.htm. In addition, we used financial information from the audited summary financial statements prepared for each province for the year ended March 31, 2001.

## The state of the Government's finances

After seven years of gaining strength, the state of the Government's finances weakened in 2002. In 2002, total revenues were $151 million less than in 2001. Also, total expenditures were $793 million more than in 2001. In addition, Saskatchewan was more dependent on transfers from the Federal Government to pay for provincial government programs. Transfers from the Federal Government were $489 million more than in 2001. In summary, the Government spent $483 million more than its total revenue. This increased the accumulated deficit by $483 million.

Also, in 2002, Saskatchewan's economy—as measured by its overall Gross Domestic Product—weakened due to the impact of drought on agricultural production and falling commodity prices.

The Government's accumulated deficit of $8.7 billion is large for a population of one million people and recent experience shows that the Saskatchewan economy remains vulnerable to changes in commodity prices, interest rates, and the weather. Therefore, the Government must carefully manage its future revenues and expenditures. A continued

downturn in Saskatchewan's economy would require the Government to make difficult decisions on revenue raising and spending.

## Key indicators of the state of a government's finances

Governments should publish financial and economic information to help people assess:

- The ability of a government to meet its existing program commitments and creditor requirements without increasing its accumulated deficit – **sustainability**.

- The degree to which a government can increase financial resources to respond to rising commitments either by expanding its revenues or by increasing its accumulated deficit – **flexibility**.

- The degree to which a government becomes dependent, and thus, vulnerable to sources of funding outside of its control or influence – **vulnerability**.

There are several financial and economic indicators that can help people make these assessments. The trends in these indicators provide insight into the state of a government's finances. The Research Report entitled *Indicators of Government Financial Condition*, published by The Canadian Institute of Chartered Accountants, further describes these indicators.

In this report, we discuss these indicators in the Saskatchewan context. Each indicator can and should be analyzed in detail, combined with other information, and monitored over time. The Government should include such an analysis in an annual performance report. Performance reports show planned and actual results. Publishing an annual performance report would also provide the Government with the opportunity to set out its thinking on the underlying issues, the status of its key performance indicators, and its plans for the future.

Five other provincial audit offices and the Manitoba Government use similar indicators to report on the state of government finances in their jurisdictions. Also, in 2000, The Canadian Institute of Chartered

Accountants used similar indicators to measure progress on the state of the Federal Government's finances.

## Sustainability

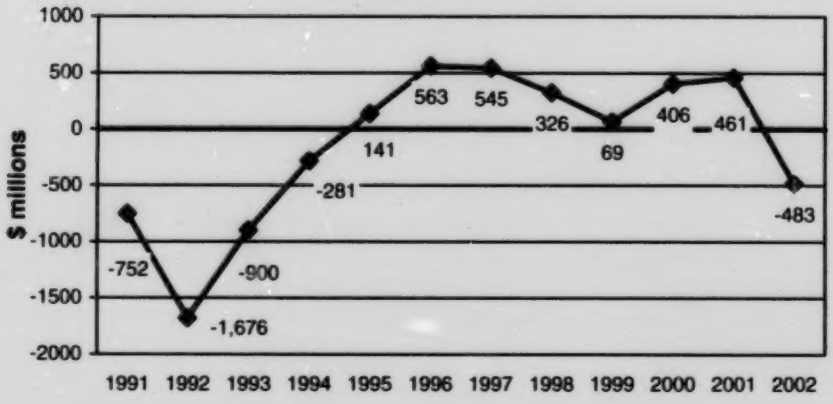
A government's annual surplus or deficit, its accumulated deficit, and a province's gross domestic product (GDP) are important indicators of the state of a government's finances. Each of these indicators provides useful insight into the **sustainability** of a government's revenue raising and spending practices.

The annual surplus or deficit shows the extent to which a government spends less or more than what it raises in revenues in one fiscal year. In simple terms, it shows whether a government is living within its means.

Graph 1 shows the Government lived beyond its means in 2002. However, the Government lived within its means for the previous seven years. During this eight-year period, the Government has spent $2.0 billion less than the revenue it has raised. The $2.0 billion includes about $0.8 billion of revenue from the sale of investments such as the Government's shares in Cameco.

**Graph 1**

**The Government's Annual Surplus or Deficit**

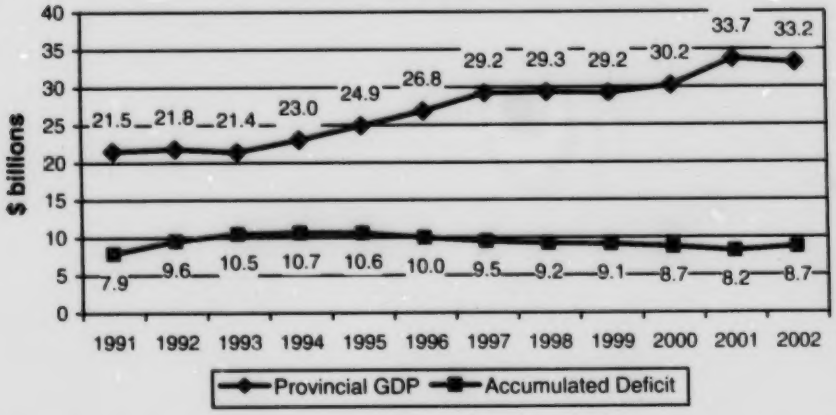



The accumulated deficit is the sum of all annual deficits and surpluses. The Government's accumulated deficit is the amount that current and past generations of Saskatchewan citizens are leaving to future generations of citizens to pay or finance. On March 31, 2002, the accumulated deficit was $8.7 billion (see Graph 2).

The Province's GDP is a measure of the total value of all the goods and services produced in Saskatchewan in one year. The GDP indicates the size of the provincial economy. The Government must manage its revenue raising and spending practices in the context of the economy of Saskatchewan.

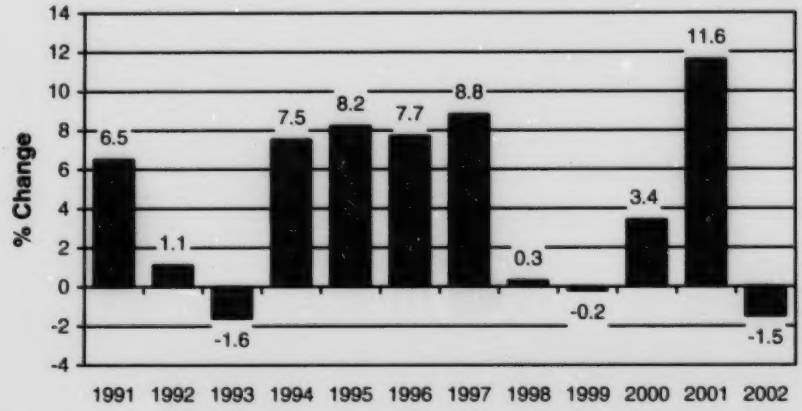
Since 1991, the GDP of Saskatchewan has increased by 54% (unadjusted for inflation). During the same period, the consumer price index increased by 28%. In 2002, the GDP of Saskatchewan was $33.2 billion (see Graph 2).

**Graph 2** **The Province's GDP and the Government's Accumulated Deficit**



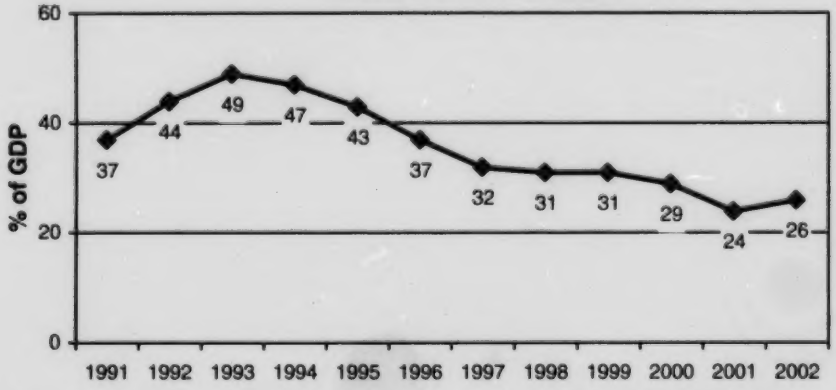

Graph 3, shows the annual percentage change in the Saskatchewan economy as measured by the change in the GDP (unadjusted for inflation). The graph shows that the Saskatchewan economy is subject to significant fluctuation. The Saskatchewan economy remains vulnerable to changes in commodity prices, interest rates, and the weather. In 2002, after two years of solid growth, the Saskatchewan economy weakened due to the impact of drought on agricultural production and falling commodity prices.

Graph 3 **Annual % Change in Gross Domestic Product, 1991 to 2002**




The financial demands placed on the economy by the Government's spending and revenue raising practices can be assessed for sustainability by comparing the Government's accumulated deficit to the Province's GDP (see Graph 4). This graph provides a measure of how much debt the Government can afford to carry. The thinking behind this measure is that the larger the GDP the more debt the Government can afford to carry.

Graph 4 **The Government's Accumulated Deficit as a % of GDP**




In Saskatchewan, this graph shows that from 1991 to 1993 the trend in the Government's spending and revenue raising practices was not sustainable. If that upward trend had continued, the Saskatchewan economy would not have been able to meet the financing needs of a growing accumulated deficit. During these years, the credit rating of the Government was lowered. The Government had access to fewer sources

for borrowing, paid higher interest costs, and was more dependent on equalization payments from the rest of Canada through the Federal Government.

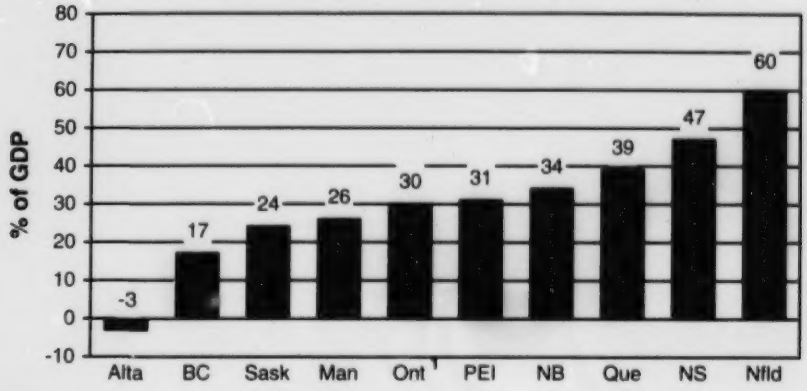
Saskatchewan's economy has grown over the past twelve years. Also, between 1995 and 2001, the Government spent less than it received in revenues. As a result, the accumulated deficit as a percentage of GDP decreased. This downward trend enabled the economy to better sustain the demands placed on it by the Government. The public benefited by an improved credit rating of the Government. The Government now has more sources for borrowing and pays lower interest costs. Also, the Government relies less on equalization payments.

In 2002, the accumulated deficit as a percentage of GDP increased from 24% to 26% as a result of the Government's decision to spend more than it received in revenues. The 2002 increase is a change from the downward trend of the previous eight years. The Government will need to carefully manage its future revenues and expenditures to ensure that the benefits obtained over the past eight years are maintained. These benefits include better flexibility regarding revenue raising and spending decisions and lower interest costs.

## Interprovincial comparison

In graph 5, we compare accumulated deficit as a percentage of each province's GDP as at March 31, 2001. This graph shows that Saskatchewan's accumulated deficit as a percentage of Saskatchewan's gross domestic product is the third lowest in Canada. Saskatchewan was also the third lowest at March 31, 2000. This means that the Saskatchewan economy is better able to sustain the demands placed on it by the Government than most other provinces.

Graph 5 **Interprovincial Comparison of Accumulated Deficit as a % of GDP as at March 31, 2001**



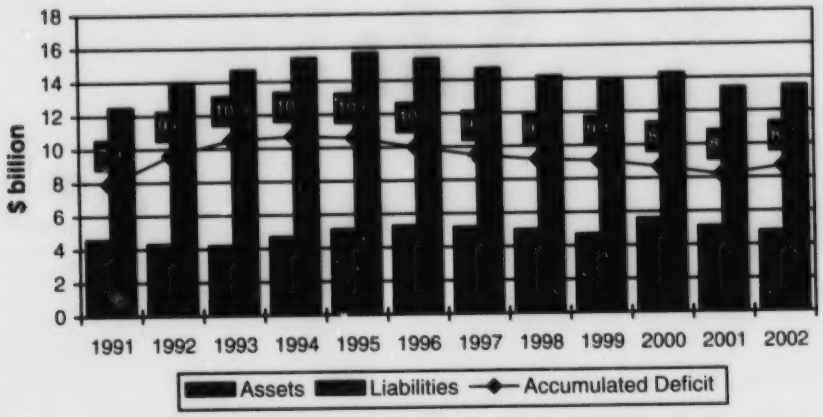

## Flexibility

A government's interest costs, capital assets, and own source revenues are also important indicators of the state of its finances. Together with a government's accumulated deficit and a province's GDP, these indicators provide insight into a government's **flexibility** in responding to rising commitments. For example, when a government has a large accumulated deficit and high interest costs, it has fewer resources to allocate to programs and services.

The Government's accumulated deficit reached a peak of $10.7 billion in 1994. Since 1994, the Government's accumulated deficit has decreased from $10.7 billion to $8.7 billion (see Graph 6). As noted earlier, the accumulated deficit is equal to the difference between a government's total liabilities and its total financial assets.

[1] Accumulated deficit includes stranded debt of $20 billion. Stranded debt represents debt accumulated in a regulated electricity market that cannot be serviced or retired in a competitive electricity market.

**Graph 6** **The Government's Accumulated Deficit as at March 31**



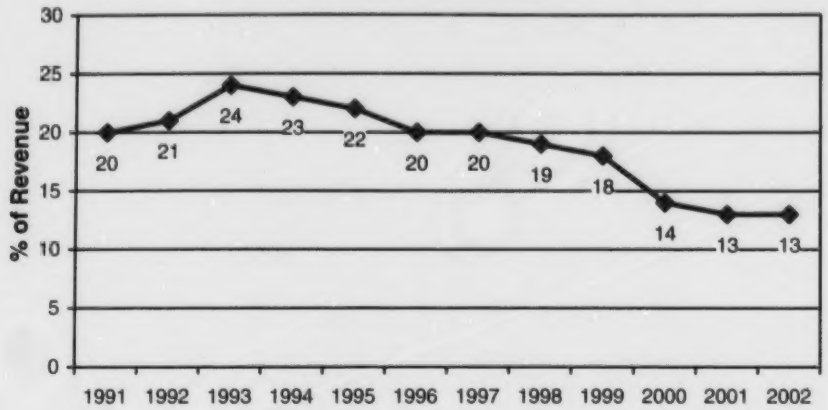

The Government incurs interest costs on its debt of bonds and debentures and its unfunded pension liabilities. At March 31, 2002, the Government's debt of bonds and debentures was $8.2 billion and its unfunded pension liabilities were $4.0 billion. The money to pay interest costs is raised by levying taxes or by charging directly for services, e.g., utility rates. In 2002, the Government's interest costs were $0.9 billion. To put that $0.9 billion in perspective, in the same year, the Government spent $1.0 billion on education and $2.4 billion on health.

The trend in interest costs as a percentage of total revenue, sometimes called the "interest bite", is an important indicator of the state of a government's finances. This indicator shows the extent to which a government must use revenue to pay interest costs rather than to pay for programs and services.

In 1993, twenty-four cents of every dollar of the Government's revenue was needed to pay for interest costs (see Graph 7). Since 1993, the amount of revenue the Government needed to pay for interest costs has declined. In 2002, thirteen cents of every dollar of the Government's revenue was needed to pay for interest costs.

Graph 7

**The Government's Interest Costs as a % of Revenue**

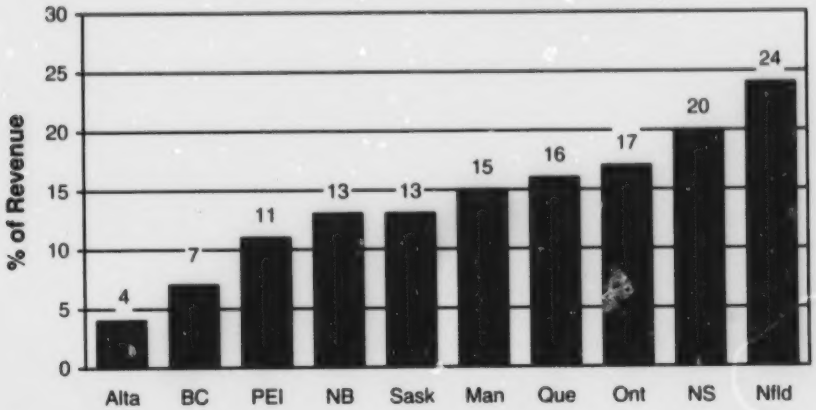



As a result of the reduction in the interest bite, the Government can now use more of its revenues to pay for programs and services, and use less of its revenues to pay for the interest costs of debt. Interest costs peaked in 1995 at $1.3 billion. In 2002, interest costs were $447 million less than in 1995 and $56 million less than in 2001. The reduction in the interest bite is the result of a combination of debt reduction, increased revenue, and lower interest rates. Although the Government's interest costs are declining, these costs remain significant.

## Interprovincial comparison

In graph 8, we compare government interest costs as a percentage of government revenue. This graph shows that Saskatchewan's interest costs, as a percentage of revenue, is fifth lowest of the ten provinces at March 31, 2001. Saskatchewan was also fifth lowest at March 31, 2000.

**Graph 8** **Interprovincial Comparison of Interest Costs as a % of Revenue as at March 31, 2001**



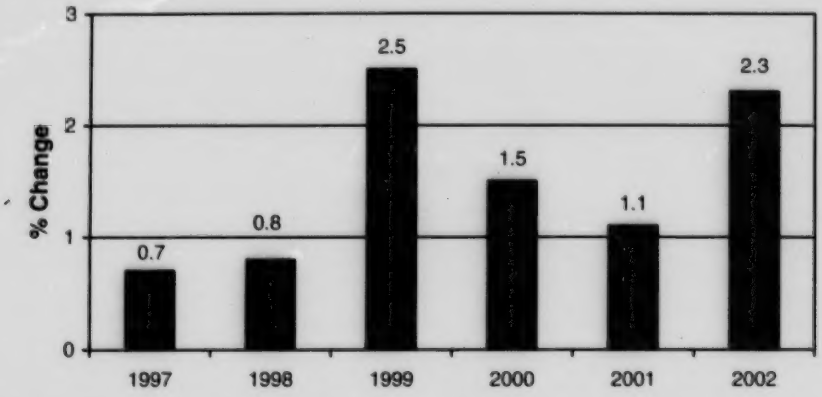

Graph 9 shows the annual percentage change in the net book value of the Government's capital assets. Governments invest billions of dollars in capital assets such as buildings, equipment, roads, and dams. These assets are essential for the economy and for delivering government services. They are recorded at cost and their value is reduced by amortization as the assets are consumed. At March 31, 2002, the net book value of the Government's capital assets is $3.6 billion (estimated historical cost of $6.5 billion less accumulated amortization of $2.9 billion).

The annual percentage change in the net book value of capital assets is an important indicator because it measures the extent to which a government is maintaining or failing to maintain the capital assets needed to deliver its services. For example, continual decreases in the net book value of capital assets may indicate that a government is not maintaining or enhancing its capital asset base. This can adversely affect service delivery and lead to increased financial burdens on future taxpayers. Also, the associated costs of restoring the capital asset base could impair a government's ability to pay for other government programs. Although, a failure to maintain essential capital assets can improve a government's financial results in the short term, such deferral of capital spending will lead to higher costs and poorer financial results in future periods.

Graph 9 shows that for the last five years the Government has increased the net book value of its capital assets. Since March 31, 1996, the net book value of the Government's capital assets has increased by 9%. We

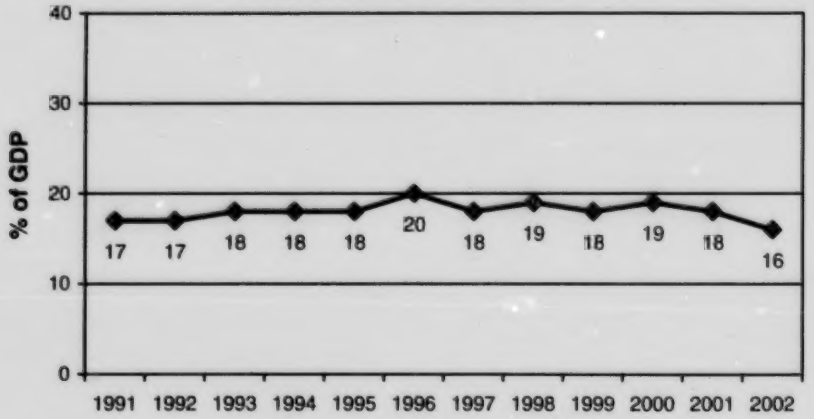
have not provided an inter-provincial comparison for this indicator as complete information on capital assets is not yet available for all provinces.

**Graph 9** **Annual % Change in Net Book Value of Capital Assets from 1997 to 2002**




Another important indicator of the state of a government's finances is shown by comparing the change in a government's own source revenue to the size of the economy (see Graph 10). The Saskatchewan Government raises revenue from two general sources. The first revenue source is from within the Province. This source is called "own source revenue." The second source of revenue is transfers from the Federal Government.

**Graph 10** **The Government's Own Source Revenue as a % of GDP**




Since 1991, the revenue raised by the Saskatchewan Government, as a percentage of GDP from sources within the Province remained fairly

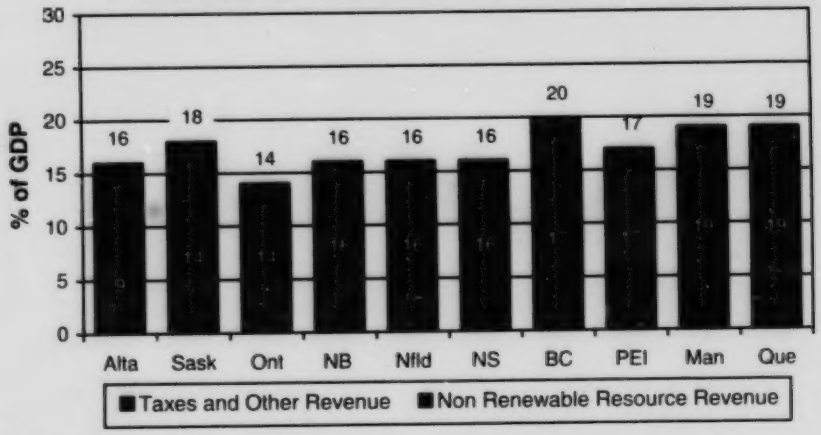
constant. However, in 2002 the percentage dropped 2% to 16%. The drop in 2002 was due to the impact of drought on the agricultural economy and falling commodity prices.

### Interprovincial comparison

In graph 11, we compare government own source revenue as a percentage of GDP as at March 31, 2001. This shows the extent of a government's revenue demands on a provincial economy.

This graph shows that Saskatchewan's own source revenue from taxes and other revenue are second lowest of the ten provinces. At March 31, 2000, Saskatchewan was fifth lowest of the ten provinces. Also, the graph shows that Saskatchewan has higher revenue from non-renewable resources than most other provinces as a percentage of GDP.

**Graph 11** **Interprovincial Comparison of Own Source Revenue as a % of GDP as at March 31, 2001**




## Vulnerability

An important indicator of the state of the Saskatchewan Government's finances is the extent to which it raises its own revenue from within the Province (own source revenue) as compared to the extent to which it receives revenue transfers from the Federal Government. This indicator provides a valuable insight into the Saskatchewan Government's **vulnerability** to sources of revenue outside of its control. In simple terms, this indicator measures the extent to which a government can manage its financial affairs without having to rely on others.

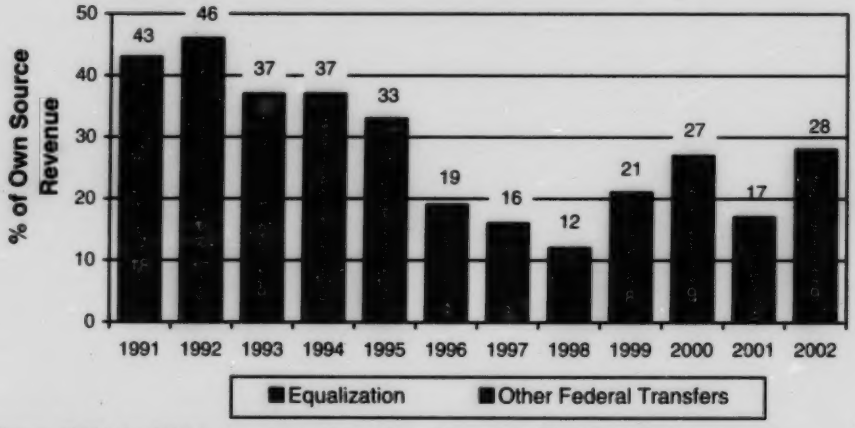
A significant portion of the Saskatchewan Government's revenue consists of transfers from the Federal Government. These revenue transfers are intended to help pay for the costs of such programs as health, education, social services, and agriculture. In addition, the Saskatchewan Government receives equalization transfers from the Federal Government.

The Federal Government calculates the amount of equalization transfers by comparing the ability of a province to raise revenues with a standard set by the Federal Government. As a result of this calculation, the annual amount of equalization transfer due to Saskatchewan is significantly affected by the performance of provincial economies outside Saskatchewan.

Since 1991, revenue transfers from the Federal Government have decreased as a percentage of the revenues raised directly by the Saskatchewan Government from sources within the Province (see Graph 12). Graph 12 also shows the fluctuation in equalization and other transfers from the Federal Government. Other transfers include Canada Health and Social (CHST) transfers; and transfers for education and agriculture.

**Graph 12**

**Federal Government Transfers as a % of Saskatchewan Government Own Source Revenue**




From 1991 to 2001, revenue transfers from the Federal Government decreased from $1.6 billion to $1.0 billion before rising again to $1.5 billion in 2002. Also, revenue raised directly by the Saskatchewan Government from sources within the Province has increased significantly.

For example, since 1991:

- Taxation revenue increased from $2.0 billion to $3.2 billion before falling to $3.0 billion in 2002. Over the period, tax revenue increased by 50% while GDP has increased by 54%; and

- Non-renewable resources revenue increased from $0.4 billion to $1.3 billion in 2001 before falling to $0.9 billion in 2002.

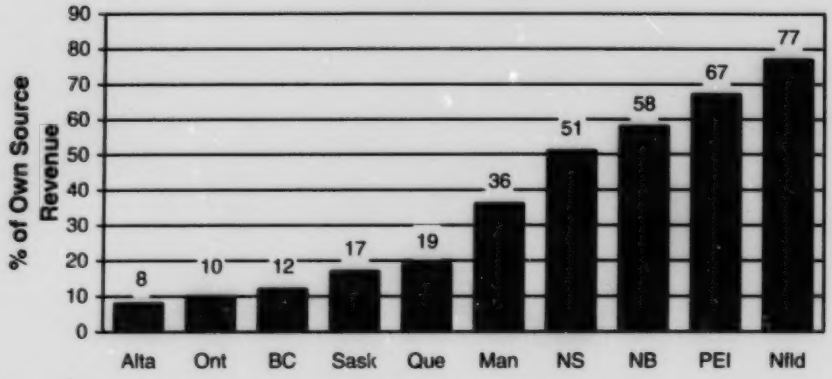
Since 1991, Federal Government transfers as a percentage of Saskatchewan Government's own source revenue have declined from 43% to 28%. During this period, the Government became less dependent on, or less vulnerable to, sources of revenue outside its control. However, in 2002, this percentage increased 11% from the previous year indicating more reliance on the Federal Government to pay for provincial government programs.

More detailed information on trends in the Government's revenues and expenditures is set out in Appendix 2.

## Interprovincial comparison

In graph 13, we compare Federal Transfers as a percentage of own source revenue at March 31, 2001. This graph shows that Saskatchewan's revenue transfers from the Federal Government as a percentage of own source revenue is fourth lowest of the ten provinces. At March 31, 2000, Saskatchewan was fifth lowest of the ten provinces.

Graph 13 **Interprovincial Comparison of Federal Transfers as a % of Own Source Revenue as at March 31, 2001**




## Overall financial planning information needed

In addition to questions about the state of the Government's finances, we are often asked whether the Government is managing our resources in the best possible manner. This is a very difficult question because the answer involves important policy issues related to the role of government and whether individual programs are worthwhile. Such issues are best debated among legislators and the public. However, to know if something is worthwhile, the public needs to know the planned and actual benefits of government programs. The public also needs to know the planned and actual costs of government programs.

The Government needs to publish better overall financial planning information to help legislators, government officials, and the public debate the best use of the public resources available to the Government.

Currently, the Government does not publish overall financial planning information. We think it should. The issues and decisions faced by Saskatchewan are far too important and complex to be considered in the context of incomplete planning information.

The financial planning information now published by the Government focuses on an incomplete picture of its finances as set out in one government fund called the General Revenue Fund. That picture is not complete because significant Government financial activity takes place outside of that Fund. This activity takes place in Government enterprises

such as SaskTel and SaskPower and other organizations such as the Saskatchewan Crop Insurance Corporation and the Fiscal Stabilization Fund.

Planning information focused only on the General Revenue Fund is not sufficient to understand the overall financial picture of the Government and to have an informed debate on the affordability of new or existing government programs. For example, in 2002, the General Revenue Fund reported a surplus of $1 million, while the entire Government incurred a deficit of $483 million.

Also, the information that is presented in the General Revenue Fund can be changed by arbitrary Government decisions about which revenues or expenditures to include in the Fund and in which year. For example, the Government can choose to transfer money from Crown corporations and other organizations and include the transfer as revenue in the General Revenue Fund. In 2001, the Government chose to transfer no revenue from Crown Investments Corporation of Saskatchewan (CIC) versus the $200 million that the Government chose to transfer in 2002.

Also, the Government may choose to record transfers to or from other Government Funds, such as the Fiscal Stabilization Fund, and record the transfers as expenditures or revenues of the General Revenue Fund. In 2001, the Government chose to record a $775 million transfer to the Fiscal Stabilization Fund as an expenditure of the General Revenue Fund. In 2002, the Government chose to record a $280 million transfer from the Fiscal Stabilization Fund as revenue of the General Revenue Fund. This was the second time that the $280 million had been recorded as revenue of the General Revenue Fund. It was also included in revenue in 2001.

It is time for Saskatchewan to change. The Government should focus its overall financial planning information on the entire Government. For several years, we have recommended that the Government base its overall financial plan on the entire Government.

Across Canada, seven provincial governments and the Federal Government have already changed the focus of their financial planning information to include their entire governments. These governments no longer focus on incomplete information in funds such as the General

Revenue Fund. Also, many governments no longer produce audited financial statements for their equivalent of Saskatchewan's General Revenue Fund. The only provincial governments that do not focus their financial plan on the entire Government are Saskatchewan, Newfoundland and Labrador, and Prince Edward Island.

In Appendix 3, we set out a model that could be used as a supplementary statement attached to the Budget to provide an overall picture of the Government's financial plan. This model provides important information to have an informed debate on the affordability of new and existing programs. This model brings together the three main areas of the Government's revenues and expenditures.

First, the model shows the revenues and expenditures as set out currently in the Budget for the General Revenue Fund. Legislators vote on expenditures as part of the Budget approval process. Second, the model shows the net income of the Government's enterprise Crown corporations in a similar way to that of the Government's summary financial statements. Finally, the model shows the remaining revenues available to the Government that are included in the various Government service organizations that are not included in the Budget for the General Revenue Fund, such as the Saskatchewan Crop Insurance Corporation and the Fiscal Stabilization Fund.

Some argue that providing the planned net income of Government enterprises as part of the overall financial plan might impair the competitive position of the Government enterprises. However, as part of their Balanced Scorecard reporting system, the Government enterprises in the CIC sector already report or will report their long-term targets for net income (return on equity). This shows that the Government has already recognized that providing the planned net income of Government enterprises will not impair the competitive position of these organizations. In addition, seven provincial governments and the Federal Government now include the net income of their government enterprises as part of their overall financial plans.

Providing a financial plan for the entire Government will help legislators and the public to have an informed debate on issues such as the affordability of new or existing Government programs.

## Recommendation

1. **We continue to recommend that the Government should publish a financial plan for the entire Government.**

In November 2001, the Standing Committee on Public Accounts (PAC) considered the above recommendation. PAC agreed to defer a decision on this recommendation until they have received a presentation from the Provincial Auditor and the Department of Finance on how other governments had approached this issue. To further assist PAC, we provide further information on provincial government budgeting in Canada in Appendix 4.

# Appendix 1 – Other questions and answers

In this appendix, we set out other financial information and analyses in the form of questions and answers. This information is included to assist legislators, government officials, and the public to understand the state of the Government's finances.

1. Is the Government making the best use of the public's resources?

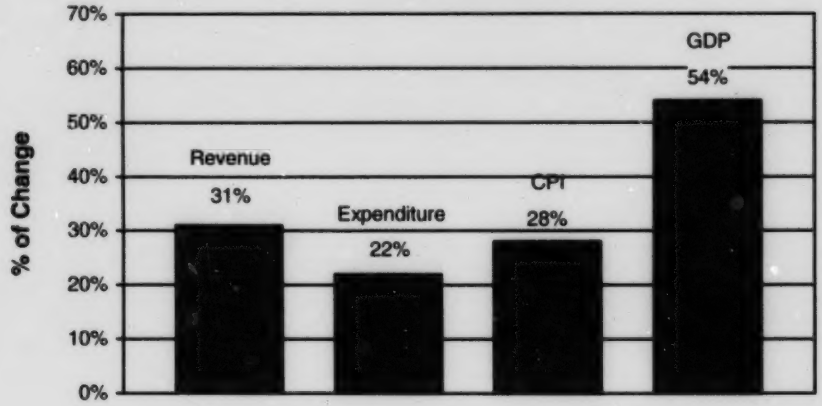
   This is a question that involves important policy issues best left to informed legislative and public debate. However, the Government should do more to foster that debate by publishing overall planning information for the entire Government, and by publishing a comparison of planned and actual results. For legislators to hold the Government fully accountable they need to know the Government's entire plan and it's expected and actual performance.

2. Is the Government's revenue raising and spending increasing at a rate less than or greater than inflation?

   In the following graph, the percentage changes in revenues and in expenditures are compared to the change in Saskatchewan's consumer price index (CPI) and its gross domestic product (GDP). The revenues, expenditures, and GDP statistics are not adjusted for inflation.

**Graph 14**

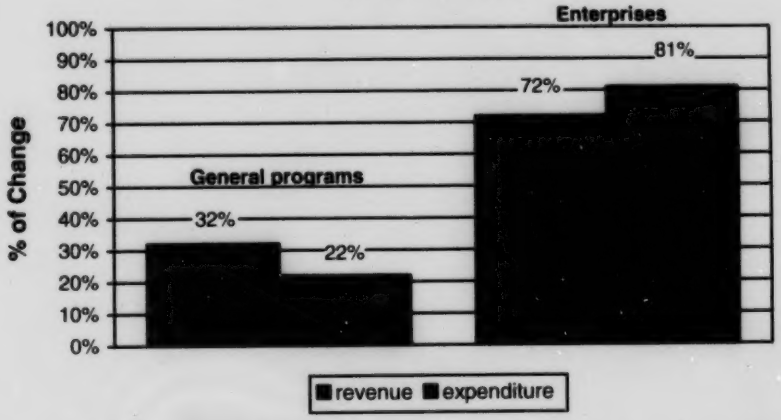
**Percentage of Change (1991 to 2002)**



3. Is the Government changing the level of activity carried out through its Crown corporation enterprises[2]?

Graph 15

**Percentage of Change (1991 to 2002)**




From 1991 to 2002, general program revenues increased 32% and general program expenditures increased 22%. General program revenues do not include revenues and expenditures of government enterprises. In the same period, government enterprise revenues increased 72% and their expenditures increased 81%. These amounts are not adjusted for inflation.

More detailed information on trends in the Government's revenues and expenditures is set out in Appendix 2.

4. To what extent are the Government's financial results affected by the sale of its investments?

In 1992, the Government recorded a $189 million loss from the sale of shares in Cameco.

In 1996, the Government recorded a $615 million gain from the sale of shares of Cameco, LCL Cable, and ISM.

[2] The Government's enterprises include Crown corporations such as SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority. They are included in Schedule 3 to the summary financial statements. These enterprises raise revenue through direct charges for goods and services.

In 1998, the Government recorded a $175 million gain from the sale of shares in Wascana Energy Inc. and the sale of the Bi-Provincial Upgrader.

In 2000, the Government recorded a $69 million gain from the sale of its interests in Saturn Communications Limited and the Saskfor MacMillan Limited Partnership.

In 2002, the Government recorded a $112 million gain from the sale of its remaining shares in Cameco.

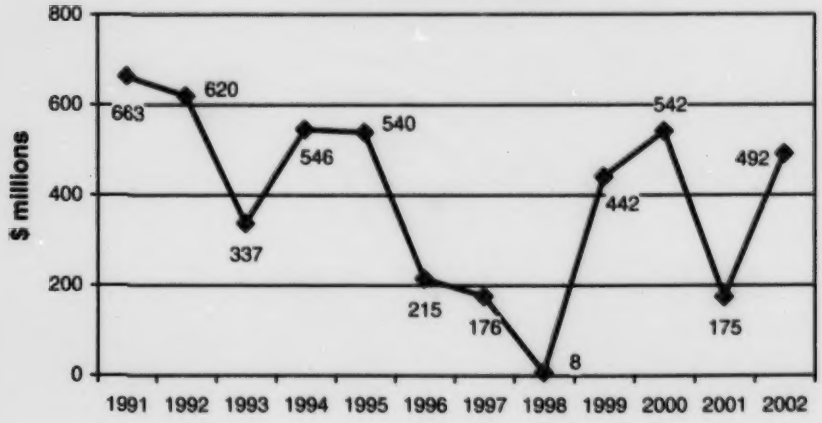
5. How are the Government's finances affected by transfers from the Federal Government for equalization?

The Saskatchewan Government has received transfers for equalization from the Federal Government for many years. The Federal Government calculates the amount of the transfers by comparing the ability of a province to raise revenues with a standard set by the Federal Government. As a result of this calculation, the annual amount of equalization transfer due to Saskatchewan is significantly affected by the performance of provincial economies outside Saskatchewan.

The following graph shows the volatility of equalization transfer revenue recorded in the Government's summary financial statements from 1991 to 2002.

**Graph 16**

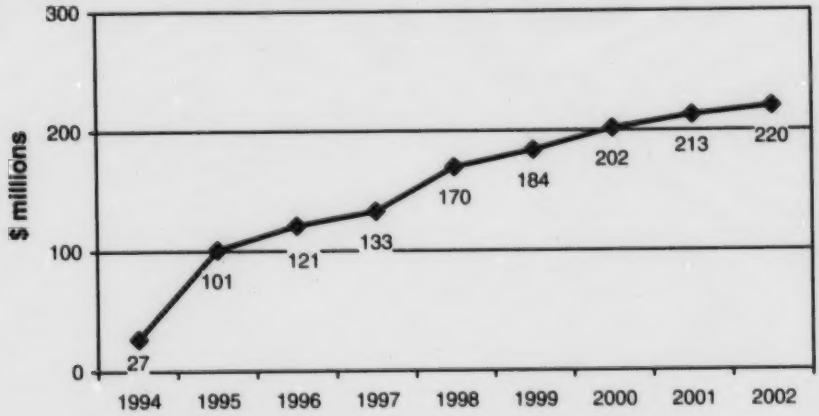
**Equalization Transfer Revenue from 1991 to 2002**



6. What impact have gaming operations had on the Government's finances?

The Government has earned net income from gaming since 1994. Net income is the amount of gaming revenues received by the Government after deducting expenditures for gaming operations. In 1994, the net income from gaming was $27 million. Since then, net income from gaming has increased steadily as shown below.

**Graph 17** **Impact of gaming net income on the Government's finances**



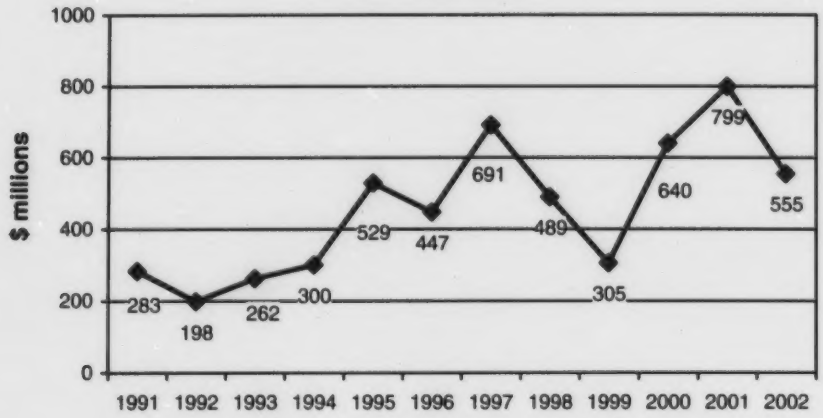

7. What impact have oil revenues had on the Government's finances?

Oil is traded on the world markets and the price fluctuates due to world supply and demand. In recent years, the price of oil has been subject to extreme price swings resulting in similar swings in the Government's oil revenues. Such revenue swings are beyond the control of the Saskatchewan Government.

The impact of changes in oil and other natural resource royalties are significant to the Government's finances. However, the Federal Government deducts a substantial portion of oil and other natural resource royalties from amounts due to Saskatchewan for equalization.

Graph 18

**Oil Revenue from 1991 to 2002**




8. Which items significantly affected the summary financial statements results for 2002?

Federal Government transfer revenue increased by $489 million from last year. This was mainly due to an increase in equalization revenue of $317 million and increased transfer revenue for agriculture.

Non-renewable resources revenue decreased by $390 million from last year mainly due to lower oil and natural gas prices. In 2002, oil and gas revenues were $555 million and $129 million respectively versus $799 million and $239 million in 2001 (see schedule 11 of Appendix 5 to this report).

Taxation revenue decreased by $180 million from last year. In 2002, Saskatchewan received $188 million less in corporate income tax receipts from the Federal Government.

Other own source revenue included a gain of $112 million for the sale of shares in Cameco.

Agricultural expenditures increased by $515 million from last year. This was due to increased payments for crop insurance of about $200 million and increased payments to enhance or stabilize the income of farmers under the Canada-Saskatchewan Assistance

Program and the Agricultural Income Disaster Assistance Program–Canadian Farm Income Program.

Interest costs decreased by $56 million from last year. This was mainly due to decreases in the Government's total outstanding debt in 2001 and lower interest rates on the debt.

Health expenditures increased by $201 million from last year due to increased costs for salaries and benefits, drugs and equipment, and other inflationary increases.

Finally, net income earned by Government enterprises decreased by $216 million from last year. Weaker financial results at SaskPower, SaskEnergy, and Workers' Compensation Board accounted for most of the decrease.

9. How much debt and interest per capita does the Government have?

The debt per person has decreased from a high of $15,433 at March 31, 1994 to $13,387 at March 31, 2002. As the debt has declined, the annual interest cost per person has declined from a high of $1,321 at March 31, 1994 to $881 at March 31, 2002. As noted earlier, a government's debt equals its total liabilities.

10. How much of the Government's debt of bonds and debentures owed to external markets is owed by Government service organizations and Government enterprises?

At March 31, 2002 the Government's total debt of bonds and debentures was $11.5 billion (net of sinking funds). Government service organizations owed $8.2 billion (net of sinking funds). Government enterprises owed $3.3 billion (net of sinking funds). For further information, see schedule 9 of Appendix 5.

11. How much of the Government's debt in bonds and debentures is payable in foreign currencies?

At March 31, 2002, the Government service organizations owed $8.2 billion (net of sinking funds). Of this amount, $1.1 billion (net

of sinking funds) or 13% was payable in U.S. dollars. Government enterprises owed $3.3 billion (net of sinking funds). Of this amount $0.9 billion (net of sinking funds) or 27% was payable in U. S. dollars. For further information, see schedule 9 of Appendix 5.

12. Why do agriculture expenditures fluctuate so much?

Agriculture spending fluctuates depending on the state of the agriculture economy. The agriculture economy is dependent on prices for commodities that are traded in world markets and that are subject to world supply and demand. The agriculture economy is also affected by trading subsidies paid by foreign governments. Further, the state of the agriculture economy is also dependent on the weather.

In addition, large agriculture programs are often cost-shared with the Federal Government. These cost-share programs can be administered by the Federal Government or the Saskatchewan Government. The accounting for cost-share programs can have a significant impact on the amount recorded as agricultural expenditures.

For example, if Saskatchewan administers the program, as is done with crop insurance, the Saskatchewan Government shows the total expenditures for the program, even though some of the money to pay for the program came from the Federal Government and farmers. The money from the Federal Government and farmers shows up separately in the financial statements as revenue.

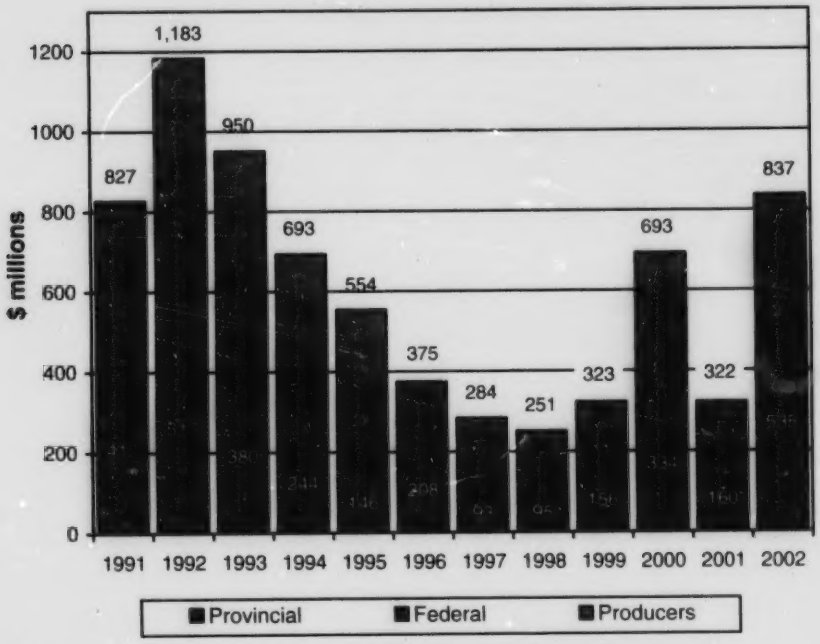
If on the other hand, as with the Agricultural Income Disaster Program (AIDA), Saskatchewan does not administer the program, but instead pays its share of the cost to the Federal Government (administrator), then the Saskatchewan Government shows only its share of the cost of the program as an expenditure.

The following graph shows how the Saskatchewan Government financed agricultural expenditures for the past 12 years. However, the graph does not include significant Government support provided to the agriculture sector through tax concessions and

rebates. For example, in the 2002-03 Budget the fuel tax exemption and rebates for farm activity is estimated to be $118 million for 2002.

Agricultural expenditures increased by $515 million from last year. This was due to increased payments for crop insurance of about $200 million and increased payments to enhance or stabilize the income of farmers under the Canada-Saskatchewan Assistance Program and the Agricultural Income Disaster Assistance Program–Canadian Farm Income Program.

**Graph 19** **Financing Sources for Agriculture Expenses**




13. How much debt is guaranteed by the Government?

At March 31, 2002, the Government had guaranteed debt of $323 million. These guarantees relate to the debt of non-governmental organizations. For further information, see schedule 10 of Appendix 5.

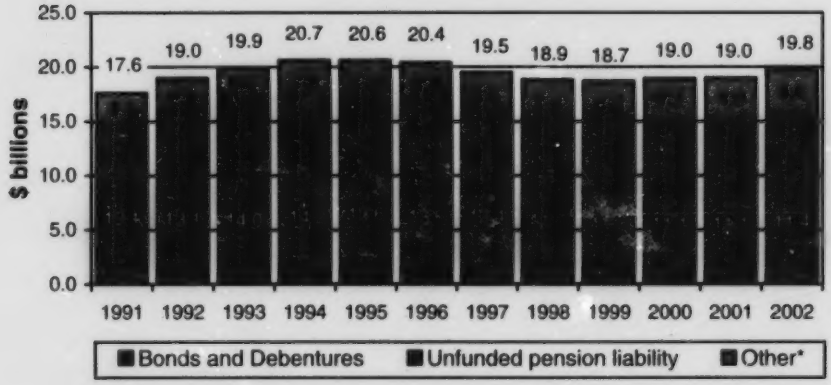
14. How much are the Government's total liabilities including liabilities of Government enterprise Crown corporations?

Graph 20 shows the Government's total liabilities including liabilities of Government enterprise Crown corporations from 1991 to 2002. The graph also shows a breakdown of these liabilities between bonds and debentures and other liabilities. Other liabilities include trade accounts payable, accrued interest, and unpaid claims for government insurance programs.

Although the Government's total liabilities provides important information to understand the Government's financial condition, this report focuses on the Government's accumulated deficit which is a better indicator of a government's financial condition.

**Graph 20**

**The Government's Liabilities including Liabilities of Government Enterprises as at March 31**

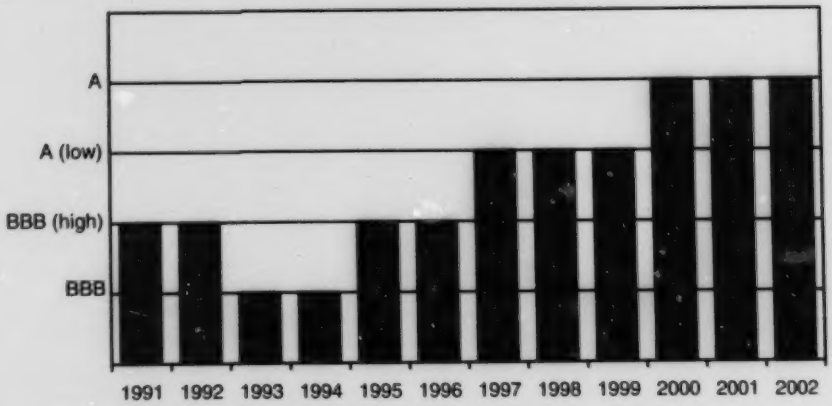



* Excludes amounts owed by the GRF to the Liquor and Gaming Authority since they are not owed to non-government agencies (in millions: 2002 - $32, 2001 - $13, 2000 - $674, 1999 - $364, 1998 - $386, 1997 - $451, 1996 - $197, 1995 - $241, 1994 - $140, 1993 - $116, 1992 - $118, and 1991 - $70).

15. How has Saskatchewan's credit rating changed from 1991 to 2002?

Graph 21

**Dominion Bond Rating Service Credit Ratings from 1991 to 2002**

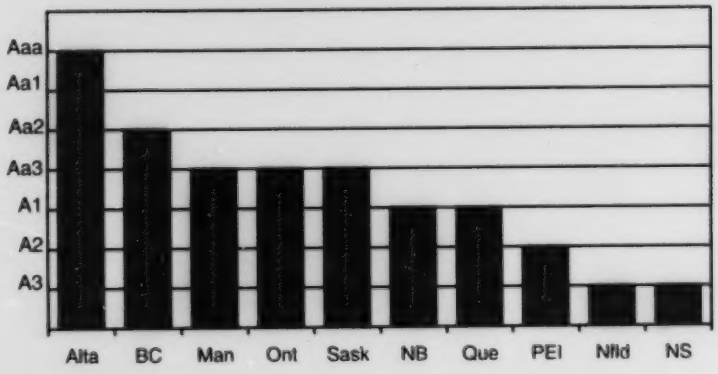



Saskatchewan received a credit rating of BBB from 1993 to 1994 from the Dominion Bond Rating Service. Since that time, Saskatchewan's rating has gradually improved, rating A from 2000 to 2002.

16. How does Saskatchewan's credit rating compare to the credit ratings of the other provinces?

Graph 22

**Moody's Investors Service Credit Ratings as at June 17, 2002**

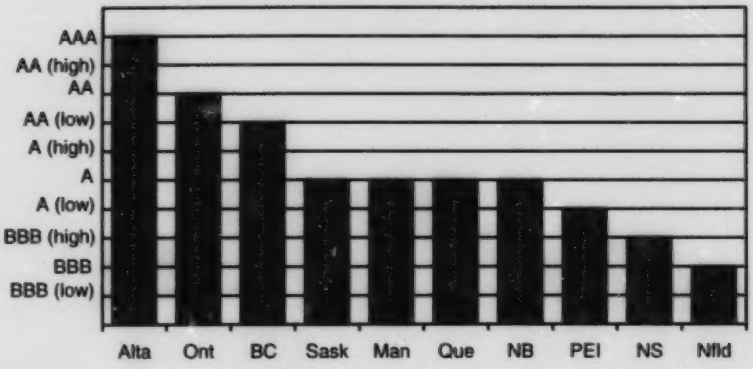



Saskatchewan, Manitoba, and Ontario have the third highest credit rating of the ten provinces, per the most recent ratings list by Moody's Investors Service at June 17, 2002 (see

http://www.moodys.com/moodys/cust/staticcontent/2000400000333838/SovRatList.pdf.)

Graph 23

**Dominion Bond Rating Service**
**Credit Ratings as at June 24, 2002**




Saskatchewan, Manitoba, Quebec, and New Brunswick have the fourth highest credit rating of the ten provinces, per the most recent ratings list by the Dominion Bond Rating Service at June 24, 2002 (see http://www.dbrs.com/web/sentry?COMP=650.)

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# Appendix 2 – Other more detailed information

(Derived from the Government's summary financial statements)

(in $ millions)

| | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|---|
| | (unaudited) | | | | |
| **Revenue** | | | | | |
| **General Programs** | | | | | |
| Taxes | 1,988 | 2,163 | 2,276 | 2,536 | 2,643 |
| Federal government transfers | 1,603 | 1,706 | 1,447 | 1,488 | 1,512 |
| Non-renewable resources | 423 | 323 | 393 | 453 | 718 |
| Income from government enterprises | 362 | 266 | 249 | 310 | 313 |
| Other | 932 | 952 | 948 | 775 | 899 |
| **Total Revenue** | 5,308 | 5,410 | 5,313 | 5,562 | 6,085 |
| **Expenditure** | | | | | |
| **General Programs** | | | | | |
| Agriculture[1] | 827 | 1,183 | 950 | 693 | 554 |
| Community development | 143 | 107 | 104 | 145 | 160 |
| Debt charges (interest costs) | 1,053 | 1,147 | 1,299 | 1,285 | 1,338 |
| Economic development | 86 | 125 | 81 | 79 | 79 |
| Education | 847 | 871 | 883 | 849 | 874 |
| Environment and natural resources | 184 | 20 | 87 | 151 | 116 |
| Health | 1,659 | 1,641 | 1,614 | 1,553 | 1,622 |
| Protection of persons and property | 262 | 274 | 248 | 178 | 187 |
| Social services and assistance | 446 | 507 | 547 | 550 | 584 |
| Transportation | 283 | 242 | 201 | 212 | 228 |
| Other | 270 | 969 | 199 | 148 | 202 |
| **Total Expenditure** | 6,060 | 7,086 | 6,213 | 5,843 | 5,944 |
| **Annual surplus (deficit)** | (752) | (1,676) | (900) | (281) | 141 |
| **Accumulated (deficit), beginning of year** | (7,127) | (7,879) | (9,555) | (10,455) | (10,736) |
| **Accumulated (deficit), end of year** | (7,879) | (9,555) | (10,455) | (10,736) | (10,595) |

[1] The Agriculture expenditure does not include significant Government support provided to the agriculture sector through tax concessions and rebates. Also, certain agriculture programs, such as Crop insurance, are cost-shared by the Saskatchewan Government. The above table represents Saskatchewan Government expenditures for agricultural programs, plus the total expenditures of the cost-shared programs administered by the Saskatchewan Government. The contributions by the Federal Government and producers, towards these cost-shared programs, are recorded as revenue by the Saskatchewan Government. Funding provided by the Federal Government in millions amounted to $235 for 2002, $108 for 2001, $288 for 2000, $91 for 1999, $74 for 1998, $84 for 1997, $74 for 1996, $207 for 1995, $219 for 1994, $289 for 1993, $405 for 1992, and $294 for 1991. Funding provided by producers in millions amounted to $67 for 2002, $54 for 2001, $71 for 2000, $76 for 1999, $82 for 1998, $107 for 1997, $93 for 1996, $201 for 1995, $230 for 1994, $281 for 1993, $261 for 1992, and $121 for 1991.

| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|
| 2,854 | 3,125 | 3,116 | 3,155 | 3,224 | 3,203 | 3023 |
| 1,046 | 853 | 675 | 1,088 | 1,553 | 1,029 | 1518 |
| 673 | 907 | 781 | 622 | 943 | 1,293 | 903 |
| 590 | 549 | 568 | 652 | 582 | 642 | 426 |
| 1,260 | 791 | 983 | 784 | 909 | 924 | 1070 |
| 6,423 | 6,225 | 6,123 | 6,301 | 7,211 | 7,091 | 6940 |
| 375 | 284 | 251 | 323 | 693 | 322 | 837 |
| 158 | 148 | 152 | 160 | 158 | 176 | 204 |
| 1,305 | 1,224 | 1,175 | 1,111 | 1,026 | 947 | 891 |
| 148 | 132 | 96 | 110 | 109 | 150 | 141 |
| 828 | 853 | 855 | 886 | 901 | 1,019 | 987 |
| 192 | 142 | 119 | 202 | 168 | 149 | 156 |
| 1,623 | 1,682 | 1,761 | 1,931 | 2,174 | 2,223 | 2424 |
| 195 | 190 | 203 | 230 | 262 | 266 | 299 |
| 588 | 586 | 700 | 747 | 785 | 783 | 784 |
| 236 | 248 | 273 | 272 | 273 | 303 | 337 |
| 212 | 191 | 212 | 260 | 256 | 292 | 363 |
| 5,860 | 5,680 | 5,797 | 6,232 | 6,805 | 6,630 | 7423 |
| 563 | 545 | 326 | 69 | 406 | 461 | (483) |
| (10,595) | (10,032) | (9,487) | (9,161) | (9,092) | (8,686) | (8,225) |
| (10,032) | (9,487) | (9,161) | (9,092) | (8,686) | (8,225) | (8,708) |

# Appendix 3 – Proposed model for an overall Government financial plan

**Note: This model does not include a Statement of Financial Assets, Liabilities, and Accumulated Deficit or a Statement of Cash Flow. The model should include these statements in a similar format to those currently presented by the Government in its summary financial statements. Also, the model should include key financial and economic indicators such as those included in this report.**

### Estimated Government Surplus Overview

| | ($000's) |
|---|---|
| General Revenue Fund[3] | |
| Revenue | 6,094,300 |
| Expenditure | 6,094,255 |
| Surplus for the year | 45 |
| Net revenue/(expenditure) from Government service organizations[4] | XXX |
| Income from Government Enterprise Crown Corporations[5] | XXX |
| Government Surplus for the year | XXX |

### Estimated Government Accumulated Deficit

| | |
|---|---|
| Accumulated Deficit, beginning of year | XXX |
| Government Surplus for the year | XXX |
| Accumulated Deficit, end of year | XXX |

[3] See Saskatchewan Estimates - 2002-03, p.10
[4] Net of dividends paid and transfers from the General Revenue Fund

## Estimated Government Surplus

| | ($000's) |
|---|---|
| **General Revenue Fund surplus for the year** | XXX |
| **Net revenue/(expenditure) from Government service organizations**[5] | |
| Agricultural Credit Corporation of Saskatchewan | XXX |
| Agri-Food Innovation Fund | XXX |
| CIC Industrial Interests Inc. | XXX |
| Crop Reinsurance Fund | XXX |
| Crown Investments Corporation of Saskatchewan (non-consolidated) | XXX |
| District Health Boards | XXX |
| Fiscal Stabilization Fund | XXX |
| Information Services Corporation of Saskatchewan | XXX |
| Milk Control Board | XXX |
| Public Employees Disability Income Fund | XXX |
| Public Employees Group Life Insurance Fund | XXX |
| Saskatchewan Agricultural Stabilization Fund | XXX |
| Saskatchewan Cancer Foundation | XXX |
| Saskatchewan Crop Insurance Corporation | XXX |
| Saskatchewan Housing Corporation | XXX |
| Saskatchewan Institute of Applied Science and Technology | XXX |
| Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation | XXX |
| Saskatchewan Opportunities Corporation | XXX |
| Saskatchewan Property Management Corporation | XXX |
| Saskatchewan Student Aid Fund | XXX |
| Saskatchewan Water Corporation | XXX |
| Other | XXX |
| Net revenue/(expenditure) | XXX |
| **Income from Government Enterprise Crown Corporations** | |
| Municipal Financing Corporation of Saskatchewan | XXX |
| Saskatchewan Auto Fund | XXX |
| Saskatchewan Gaming Corporation | XXX |
| Saskatchewan Government Growth Fund Management Corporation | XXX |
| Saskatchewan Government Insurance | XXX |
| Saskatchewan Liquor and Gaming Authority | XXX |
| Saskatchewan Power Corporation | XXX |
| Saskatchewan Telecommunications Holding Corporation | XXX |
| SaskEnergy Incorporated | XXX |
| Worker's Compensation Board (Saskatchewan) | XXX |
| Income | XXX |
| Government Surplus for the year | XXX |

[5] Net of dividends paid and transfers from the General Revenue Fund

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# Appendix 4 – Government budgeting in Canada

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## Introduction

For several years, we have recommended that the Government publish an overall financial plan for the entire Government. Currently, the Government does not publish an overall financial plan. The financial plan published by the Government focuses on an incomplete picture of its finances as set out in one government fund called the General Revenue Fund. That picture is not complete because significant Government financial activity takes place outside of the General Revenue Fund.

The Government needs to publish an overall financial plan. This plan would help legislators, government officials, and the public to debate the best use of public resources available to the Government.

The Government's public financial plan is focused only on the General Revenue Fund. Therefore, it is not sufficient to have an informed debate on the affordability of new or existing government programs. In addition, the plan is not sufficient to inform users if the Government plans to live within its means. The Government's public financial plan for 2002 said that the Government planned to raise $3 million more revenue than it would spend. The actual results for the General Revenue Fund showed that the Government raised $1 million more than it spent in 2002. Focusing only on this Fund could cause people to think that the Government had a plan for 2002 to live within its means and that for 2002 it did so.

However, the financial results for the entire Government show that the Government did not live within its means for 2002. The Government spent $483 million more than the revenue it raised thus incurring a deficit of $483 million for 2002. This deficit is nearly a $1.0 billion turnaround from last year when the Government had a surplus of $461 million. A published financial plan for the entire Government would improve the Government's accountability by allowing legislators and the public to assess whether this financial performance is better or worse than what was planned.

In our 2001 Fall Report – Volume 1, we reported that across Canada seven provincial governments and the Federal Government have already changed the focus of their published financial plans to include their entire governments. In that report, we again recommended that the Government should publish a financial plan for the entire Government.

In November 2001, the Standing Committee on Public Accounts (PAC) considered our recommendation. PAC agreed to defer a decision on this recommendation until it had received a presentation from our Office and the Department of Finance on how other governments had approached this issue.

We prepared this Appendix to provide information about the budgets of other provincial governments across Canada.

## Standards and guidance for preparing budgets

Legislators, investors, and other users of government financial statements need information to help them assess the Government's performance in the management of its financial affairs and resources. A comparison of actual results with planned results set out in budgets is necessary to understand and assess trends in government financial operations and to identify significant differences that need explanation.

The Canadian Institute of Chartered Accountants (CICA) provides guidance for the measurement, presentation, and disclosure of financial plans (future-oriented financial information) when presented to external users in the format of financial statements. The CICA recommends that organizations present financial plans in the same format as the organization's historical financial statements.

The CICA recommends that government summary financial statements should present a comparison of actual results with those originally set out in the financial plan. The CICA further recommends that governments present planned results in the summary financial statements on the same basis as that used for actual results.

The CICA has not set specific standards for how a government should present a budget for the entire government to a legislative assembly. However, across Canada, most governments have moved forward to provide overall financial plans for their jurisdictions.

Saskatchewan was among one of the first provinces to address this issue. In 1992, the Saskatchewan Financial Management Review Commission noted that the Budget (financial plan) should cover the entire Government so that comparisons of budget and actual results would be

meaningful. The Commission also noted that such changes would take time and could affect the review procedures of the Legislature's Committee of Finance. To date, Saskatchewan has not published a budget for the entire Government.

Several other provinces also created similar commissions or panels that considered changes to their governments' budgeting processes to improve information for both legislators and the public. These provinces include British Columbia, Alberta, Manitoba, and Ontario. These provinces have changed their processes to provide an overall financial plan for the entire government rather than a plan focused on one fund of government.

More discussion on the "Experiences in Saskatchewan and other provinces" follows later in this report.

## Components of government

Although governments consist of many different organizations, there are usually three specific components:

1. General revenue fund or consolidated fund – consisting mainly of government departments;
2. Government enterprises – examples include SaskPower, SaskTel and the Liquor and Gaming Authority; and
3. Government service organizations – examples include Saskatchewan Crop Insurance Corporation and the Fiscal Stabilization Fund.

A complete listing of Saskatchewan's government enterprises and government service organizations is included in Schedule 14 to the summary financial statements (see Appendix 5).

In the following section, we provide information on how governments provide financial planning information for each of these three components.

## Provincial government budget models

Across Canada, all provinces publish summary financial statements following the recommendations of The Canadian Institute of Chartered

Accountants. However, the provinces do not all use the same model when publishing their overall financial plans. Three provinces do not publish an overall financial plan.

Provincial governments use one of three basic models for publishing their financial plans. In simple terms, we describe these three models as follows:

- Overall Financial Plan
  - Summary budget model
  - Modified summary budget model
- No Overall Financial Plan
  - Single fund budget model

**Summary budget model**

We use the term summary budget to describe the budget model where the budget is published on the same basis as that of a government's summary financial statements. As shown in Exhibit 1, this model includes detailed revenue and expenditure information for the general revenue fund or consolidated fund (GRF) and for government service organizations. For government enterprises, the model includes only the budgeted net income and not the detailed revenues and expenditures.

**Exhibit 1**
**Summary budget model**

| | ($000s) |
|---|---|
| GRF and government service organizations | |
| Revenue | xxx |
| Expenditure | xxx |
| Surplus/deficit for the year | xxx |
| Net income from government enterprises | xxx |
| Government surplus/deficit for the year | xxx |

**Modified summary budget model**

Some provinces use a model that we refer to as a modified summary budget. As shown in Exhibit 2, this model is prepared on the same basis as the summary financial statements with one exception. The exception is

that for government service organizations this model shows only the budgeted net income and not their revenues and expenditures.

**Exhibit 2**
**Modified summary budget model**

| | ($000s) |
|---|---|
| GRF | |
| Revenue | xxx |
| Expenditure | xxx |
| Surplus/deficit for the year | xxx |
| Net income from government service organizations | xxx |
| Net income from government enterprises | xxx |
| Government surplus/deficit for the year | xxx |

**Single fund budget model**

We refer to the last model used as the single fund budget. As shown in Exhibit 3, this model includes only the general revenue fund or consolidated fund. It is incomplete because it does not include the significant activity that takes place in government service organizations and government enterprises. At one time all provinces used this model, but most have now changed their focus to provide more complete planning information. Saskatchewan, Prince Edward Island, and Newfoundland and Labrador still use this model.

**Exhibit 3**
**Single fund budget model**

| | ($000s) |
|---|---|
| GRF | |
| Revenue | xxx |
| Expenditure | xxx |
| Surplus/deficit for the year | xxx |

In Exhibit 4, we set out a table showing the model currently used by each province and by the Government of Canada.

**Exhibit 4**

| Overall Financial Plan | | No Overall Financial Plan |
|---|---|---|
| Summary budget model | Modified summary budget model | Single fund budget model |
| Alberta<br>Ontario<br>Quebec<br>New Brunswick<br>Canada | British Columbia<br>Manitoba<br>Nova Scotia | Saskatchewan<br>Prince Edward Island<br>Newfoundland and Labrador |

## What information do legislative assemblies vote on?

Each government publishes a budget that sets out its revenue and expenditure plans for the upcoming fiscal year. Some of the expenditures included in budgets require the annual approval of the legislative assemblies through appropriation acts. Other expenditures are already approved in law.

Currently, the provincial legislative assemblies provide approval for expenditures in the following manner:

- For the general revenue fund or consolidated fund–some expenditures are voted annually, others are permanently authorized by a statute (e.g., interest on public debt);
- For government enterprises–expenditures are authorized by statute and are not voted on; and
- For government service organizations–with the exception of Alberta and New Brunswick, expenditures are authorized by statute and are not voted on. Alberta votes on the expenditures of its Lottery Fund and New Brunswick votes on the expenditures of three of its government service organizations.

Although not all expenditures are voted on annually, there is a need to provide information on expenditures authorized by statute in the plan so that it is more complete. In addition, planned results should be readily comparable with actual results. Therefore, governments that use the summary budget or modified summary budget models present their

financial plans in a comparable manner to their summary financial statements.

## Why budget for the entire government?

As noted above, most provincial governments and the Federal Government have moved away from single fund budget models to budget models that include the entire Government.

To understand the reasons behind the changes in the way that governments budget, it is important to understand the advantages of budgeting for the entire government versus the single fund model. In essence, the reasons behind the movement toward budgeting for the entire government are similar to the reasons why governments moved from reporting their actual results based on a single fund of government to reporting the actual results for the entire government in their summary financial statements.

There are several significant advantages for preparing a budget for the entire government rather than for a single fund of government. An overall plan:

1. Allows for an informed debate by legislators and the public on the affordability of new or existing government programs when the budget is considered.

2. Enhances both the accountability and transparency of a government. Legislators and the public need to know what was planned to effectively assess a government's actual performance.

3. Promotes better management of public resources. Having to answer for what you plan to do and what you actually did improves the management of public resources.

4. Prevents governments from balancing their budgets simply by making transfers from one government agency to another.

5. Reduces public scepticism and enhances public confidence in the reliability and accuracy of the budget.

## Will disclosure impair the competitive position of the government enterprises?

Some argue that disclosing the planned net income of government enterprises as part of an overall financial plan might impair the competitive position of the government enterprises. However, as part of the Balanced Scorecard reporting system already approved by the Government, Saskatchewan's government enterprises report or will report their long-term targets for net income (return on equity). Therefore, providing the planned net income of Saskatchewan's government enterprises as part of the Government's overall financial plan would not impair the competitive position of these organizations.

Most governments across Canada are already providing this information. Seven provincial governments and the Federal Government already disclose the planned net income of their major government enterprises as part of their summary budgets. Therefore, disclosure of this information is already common practice.

Some governments provide even more information than planned net income. For example, Alberta discloses planned revenues and expenditures of its government enterprises and government service organizations. Other provinces publish detailed business plans for these organizations. For example, since 2000-01, British Columbia has required its government enterprises (e.g., BC Hydro) and most of its government service organizations to present annual three-year service (business) plans to the Assembly. Also, since 1996-97, Nova Scotia has published business plans for most of its Crown corporations.

## Is it difficult to change the budget to focus on the entire government?

It should not be difficult for the Government of Saskatchewan to publish its budget using the modified summary budget model. In Appendix 4, we have provided an example of this model for Saskatchewan. This model would be a good first step.

If the Government of Saskatchewan decides to use the summary budget model, we expect it will take more time to develop the budget processes

to include the revenues and expenditures of the Government's service organizations. One difficulty will be to ensure that the budget properly consolidates these organizations. However, the Department of Finance currently does an excellent job of consolidating the actual results of these organizations into its overall actual financial results in the Government's summary financial statements. Therefore, we think the Department has the capacity to use similar processes to produce its budget information.

## Experiences in Saskatchewan and other provinces

To understand why other provinces have moved toward publishing budgets for their entire government, we looked at recent experiences in Saskatchewan and other provinces.

### Saskatchewan

In November 1991, the Saskatchewan Government announced that it would create a commission to provide advice on improving the financial management and public accountability of the Government.

The Saskatchewan Financial Management Review Commission released its report on February 18, 1992. The report contains several recommendations designed to open the business of government to greater public scrutiny. One of the key recommendations was that the Government prepare summary financial statements following CICA standards.

Along with the recommendations, the report discusses implications for the preparation of Saskatchewan's Annual Estimates:

> The PSACC [CICA] guidelines require that the Province's main financial statements should include the approved budgetary figures for comparative purposes. Therefore, the changes in accounting principles and format, plus the expanded scope of the reporting entity, will also apply to the preparation of the Estimates.
>
> While the Commission has been able to obtain financial statements under the PSSAC guidelines within a relatively short period of time, we are aware that it will not be possible to convert the budgeting process as quickly. Many procedural issues need to be considered, including determining whether there will be any implications on the review procedures of the Legislature's Committee of Finance. The implementation may have to be

> phased in over several years to provide the Members of the Legislature and others who are involved in the preparation, review, and analysis of the annual Estimates with an opportunity to become fully familiar with the implications of the various components of these guidelines.[6]

In his 1992 report, the Provincial Auditor, who had acted as a special advisor to the Committee, endorsed the recommendations. The Provincial Auditor also pointed out that the Commission said the Government should prepare the Budget using the same standards it uses for the summary financial statements.

Since that report, the Provincial Auditor has continued to recommend to the Legislative Assembly that the Government should present a financial plan for the entire Government.

**Alberta**

In January 1993, the Alberta Government announced the creation of the Alberta Financial Review Commission. The Commission, made up of business executives and financial experts, was to review the Government's financial position and reporting procedures and report by March 1993.

In March 1993, the Commission released its report noting the Government's practice of presenting a fiscal plan that focuses solely on the GRF made it difficult for Albertans to understand the Province's financial situation:

> One of the Commission's most significant concerns is the provincial government's apparent lack of an overall plan. Such plans may exist in part, but need to be drawn together in total. By establishing long-term goals and relevant program objectives, and then developing the required budgets and financial reporting systems, performance can be measured against the plan.[7]

As a result, the Commission recommended that the Budget and financial statements should be prepared on a government-wide basis in accordance with CICA standards.

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[6] Saskatchewan Financial Review Commission, (February 1992), p. 26.
[7] The Alberta Financial Review Commission. (March 1993). p. 4.

The Commission noted that others, including the Auditor General for Alberta, had already made many of its recommendations and the Government had already committed to adopting them on a timely basis. The 1996-97 Budget released by the Government was a summary budget on a government-wide basis consistent with the financial statements.

### Ontario

In July 1995, the Government of Ontario announced it would set up the Ontario Financial Review Commission to provide advice on the Province's financial reporting practices. The Government noted that:

> ...there has been confusion about the Provinces' books because results are presented in one format in the Public Accounts, while the Budget uses a different format ... This commission is the next logical step forward in restoring confidence and improving the way we present our financial information.[8]

The Provincial Auditor for Ontario had been advocating such changes since 1993. In the Auditor's opinion:

> With the adoption of the PSAB [CICA] basis of accounting in both the Financial Statements and the Budget, the Legislature will have a much clearer and complete picture of the government's overall fiscal plan and be able to more readily compare the subsequent actual financial results to that plan.[9]

In November 1995, the Ontario Financial Review Commission released its report. The Commission agreed that the Government should publish a government-wide budget using the same CICA standards as the financial statements. The Government agreed to implement this recommendation immediately and released its 1995-96 Financial Plan and 1996 summary budget, which were prepared on a government-wide basis using the same CICA standards as its financial statements.

### British Columbia

In British Columbia, the Government called an election right after it presented its 1996-97 Budget. After the election, significant public concerns arose about the reliability of the Budget.

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[8] Government of Ontario. (1995, July 21). News release.

In response to the increasing public concern, the Auditor General for British Columbia announced in the Fall of 1996 that his Office would review the effectiveness of the budget process and recommend improvements. The Government supported the review. In February 1999, the Auditor General released his report *A Review of the Estimates Process in British Columbia.*

In his report, the Auditor General recommended reforms to the budget process. In the Auditor's opinion, a committee–either of the Legislative Assembly or of appointed external experts–should review his recommendations and report to the Legislative Assembly.

In response, the Government formed the Budget Process Review Panel (Panel) in April 1999 to review the process and report to the Legislative Assembly and the public. On September 27, 1999, the Panel released its report *Credibility, Transparency & Accountability – Improving the B.C. Budget Process.*

This report contained many recommendations to improve the budget process in British Columbia. One specific area dealt with was the definition of the budget entity. The Panel thought that basing the budget on one general fund of government:

> ...is problematic in that it does not represent the full scope of the Government's responsibility so that apparent size of the deficit, and of the provincial public sector can easily be arbitrarily changed.... While there may be good management reasons for such changes, they distort financial reporting on provincial public sector activities.[10]

The Panel recommended that legislation:

1. Require the budget to include all the Government's enterprises and organizations that should be included in the summary financial statements. The legislation was also to be clear that financial information on government enterprises and organizations outside the general fund was to be included in the budget at a summary level only (i.e., all school districts as a total, not each school district separately)

---

[9] Office of the Provincial Auditor of Ontario. (1996). p. 276.
[10] British Columbia. Budget Process Review Panel, (September 27, 1999), p. x.

and that the Legislative Assembly was not required to vote or approve the expenditures of the government enterprises and organizations.

2. Require the budget to be prepared using the same accounting policies, including policies on the budget entity, consolidation and future-oriented financial information, as the summary financial statements.

In its 2000-01 Budget, the Government of British Columbia responded to the Panel's recommendations. Many of the changes made by the Government were contained in the new *Budget Transparency and Accountability Act* introduced by the Government with its 2000-01 Budget. One of the most significant changes was to agree to include in the budget all the government enterprises and organizations that were currently included in the summary financial statements.

However, the Government decided to phase in the second recommendation, which was to consolidate organizations on the same basis as the summary financial statements. In the meantime, the Government published the revenues and expenses of the general fund, and the net income of its enterprises and organizations. As a result, the Government presented its first modified summary budget for the 2000-01 fiscal year.

In the budget for 2002-03, the Government included for the first time a summary budget schedule in its Estimates showing all government organizations consolidated on the same basis as they are in the summary financial statements.

**Manitoba**

Starting in 1997-98, the Provincial Auditor for Manitoba made several recommendations to improve the clarity of the Public Accounts. One of these recommendations was for the Government to prepare and present a summary budget to the Legislative Assembly. The Provincial Auditor stated that the summary budget should be prepared using the same accounting principles used for the summary financial statements. As well, the budgeted amounts should then be presented in the summary financial statements to allow for a comparison of budget to actual.

After the election in September 1999, one of the top priorities of the new Government was to conduct an independent review of the Province's books to address serious concerns about spending and accounting practices. The Government hired an accounting firm, Deloitte & Touche, to conduct the review.

One of Deloitte & Touche's recommendations was that the Government had to improve its financial management and reporting practices to provide greater transparency and accountability. As a result, together with the Provincial Auditor, the Government undertook several initiatives, including developing Manitoba's first modified summary budget in 2001–02.

In his March 31, 2001 report on the *Audit of the Public Accounts*, the Provincial Auditor noted that although the Government had published a summary budget for 2001-02 the budget was very brief and was not in the same format as the summary financial statements (i.e., Government service organizations were not fully consolidated). The Provincial Auditor reported that the budget "...should be presented on the same basis as the Summary Financial Statements to enable a reader to directly compare the budget to the Summary Financial Statements.[11]" The Provincial Auditor noted that Canada and other provinces already published summary budgets.

**Summary**

Across Canada, most governments have moved forward to provide overall financial plans for their jurisdictions. Saskatchewan was among one of the first provinces to raise this issue. However, unlike its neighbouring provinces who now provide government-wide plans, Saskatchewan has still not addressed this issue.

## Budgeting for capital expenditures

Capital asset expenditures include items that are purchased or constructed and will be used in the provision of services for many years (e.g., buildings, equipment, roads, etc.). Generally accepted accounting

[11] Manitoba. Office of the Provincial Auditor, (January 2002), p. 7.

principles for governments allow two methods for accounting for capital assets. These methods are the expenditure basis and the expense basis. Because the method chosen to account for capital assets also affects the budgeting practice, it is important to understand the different accounting methods.

In the past, all governments accounted for capital assets on the expenditure basis. That means that the full cost of a capital asset is recorded as an expenditure in the year of purchase. Saskatchewan uses the expenditure basis for capital assets.

In recent years, some governments have switched their accounting method to the expense method of accounting for capital items. The private sector also uses this method of accounting for capital assets.

In simple terms, the expense method recognizes that a capital asset is not consumed in one year and therefore the cost should not be charged just to one year. Because the capital asset will provide services over its useful life, the cost of using that capital asset should be spread out over its useful life. The portion of the cost of a capital asset that is allocated to each year of useful life is referred to as amortization.

For governments using the expense method of accounting, the budget includes a separate capital expenditure budget showing the full cost of planned capital investments. It is not combined with other operating expenses. For governments using the expenditure basis, there is no separate capital budget because capital expenditures are included with non-capital operating expenditures.

The following table shows the method of accounting for capital assets used by each province in their budget:

| Expense | Expenditure |
|---|---|
| Alberta | New Brunswick |
| British Columbia | Newfoundland and Labrador |
| Manitoba | Prince Edward Island |
| Nova Scotia | Saskatchewan |
| Ontario | |
| Quebec | |

Regarding voting approval of capital expenditures, provincial government practice is as follows:

- For the general revenue fund or consolidated fund–most capital expenditures are voted on annually and some are permanently authorized by a statute (e.g., British Columbia, Ontario, and Quebec);
- For government enterprises–capital expenditures are authorized by statute and are not voted on; and
- For government service organizations-capital expenditures are authorized by statute and are not voted on.

In summary, regardless of which method of accounting for capital assets a government chooses, it still votes on capital expenditures.

## Budgeting for contingencies

Governments generally prepare their budgets on a conservative basis. These involve the use of prudent assumptions and caution to ensure that estimates made are reasonable and achievable.

However, it is not possible to budget for all the potential items that might significantly affect the actual financial results. For example, budgets would not normally make specific provision for the impact of a natural disaster or volatility in commodity prices. However, budget preparers seek to achieve a stable record of accomplishment in a government's financial results. Therefore, some governments build contingency funds into their budgets to offset the impact of these unexpected events. In the following paragraphs, we provide examples of how individual provinces budget for the impact of unexpected events.

To budget for unexpected events, British Columbia's budget includes an amount for contingencies. This amount is included in the modified summary budget as a "forecast allowance". The 2002-03 budget included a forecast allowance of $750 million on a total budget of $26.4 billion.

Alberta does not include a forecast allowance or a contingency allowance in its budget. Instead, Alberta uses an "economic cushion." In simple terms, Alberta prepares its budget for revenues and expenses by ensuring there is a sufficient cushion between revenues and expenses to

allow it to balance the budget even if the revenue forecasts fall short. For example, in 2002-03 the target economic cushion was $724 million on a total budget of $19.2 billion.

Because Saskatchewan does not include the entire Government in its budget, it uses transfers from other government organizations to protect the budget against unexpected events. For example, in 2002, Saskatchewan balanced its budget by recording a $264 million change in the amount due from a fiscal stabilization fund as revenue in the General Revenue Fund.

Manitoba uses the modified summary budget model to prepare its budget. Manitoba does not include a specific amount in its budget for unexpected events.

To budget for unexpected events, Ontario's budget includes an amount for contingencies. This amount is included in the summary budget as a "reserve". In the budget for 2002-03, the reserve was $1 billion on a total budget of $66.5 billion.

Quebec also provides for unplanned expenditures that may arise in government programs. Quebec's 2002-03 budget includes a contingency fund of $404 million on a total budget of $51.9 billion.

New Brunswick, Nova Scotia, and Newfoundland and Labrador do not include specific amounts in their 2002-03 budgets for unexpected events. However, Newfoundland and Labrador did include a contingency reserve in its previous two budgets.

Prince Edward Island uses a contingency fund to protect its budget against unexpected events. In 2002-03, Prince Edward Island had a contingency fund of $2 million on a total budget of $997 million.

In summary, government budgets include prudent assumptions and caution to ensure estimates made are reasonable and achievable. Most also build in contingency funds or forecast allowances to offset the impact of unexpected events.

## Selected resources

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# Appendix 5 – The Government's 2001-02 summary financial statements

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## Government of Saskatchewan
## Responsibility for Summary Financial Statements

The Government is responsible for the Summary Financial Statements. The Government maintains a system of accounting and administrative controls to ensure that accurate and reliable financial statements are prepared and to get reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained.

The Provincial Comptroller prepares these statements following the Government's stated accounting policies and using the Government's best estimates and judgement when appropriate. He uses information from the accounts of the General Revenue Fund, Crown corporations, agencies, and other funds to prepare these statements.

The Provincial Auditor expresses an independent opinion on these statements. His report states the scope of his audit and opinion and appears on the following page.

Treasury Board approves the Summary Financial Statements. The Minister of Finance tables the statements in the Legislative Assembly as part of the Public Accounts. The Legislative Assembly refers the Public Accounts to the Standing Committee on Public Accounts for review.

On behalf of the Government of the Province of Saskatchewan.

Eric Cline
Minister of Finance

Ron Styles
Deputy Minister of Finance

Terry Paton
Provincial Comptroller

Regina, Saskatchewan
June 2002

## Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the summary statement of financial assets, liabilities, and accumulated deficit of the Government of Saskatchewan as at March 31, 2002 and the summary statements of revenue, expenditure, and accumulated deficit and cash flow for the year then ended. These financial statements are the responsibility of Treasury Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these summary financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments.

Regina, Saskatchewan
June 4, 2002

Fred Wendel, CMA, CA
Provincial Auditor

# Government of Saskatchewan
## Summary Statement of Financial Assets, Liabilities, and Accumulated Deficit
As at March 31, 2002

(thousands of dollars)

| Schedule | | 2002 | 2001 (Restated) |
|---|---|---|---|
| | **Financial Assets** | | |
| | Cash and temporary investments (note 2) | $ 673,326 | $ 884,053 |
| | Prepaid expenditures | 27,128 | 23,387 |
| 1 | Accounts receivable | 708,155 | 660,989 |
| | Inventories held for resale | 6,534 | 6,587 |
| | Land held for resale (note 3) | 124,231 | 128,894 |
| | Deferred charges | 58,528 | 65,947 |
| | Deferred foreign exchange loss | 227,577 | 234,326 |
| 2 | Loans and mortgages receivable | 112,176 | 142,229 |
| 3 | Investment in government enterprises | 2,247,746 | 2,280,313 |
| 4 | Other investments | 640,957 | 722,849 |
| **Total Financial Assets** | | 4,826,358 | 5,149,574 |
| | **Liabilities** | | |
| 5 | Accounts payable and accrued liabilities | 1,085,525 | 1,156,684 |
| 6 | Other liabilities | 99,049 | 60,404 |
| | Unearned revenue | 229,675 | 212,378 |
| 7,8 & 9 | Public debt (note 6) | 8,167,690 | 8,032,557 |
| | Pension liabilities (note 7) | 3,952,483 | 3,912,647 |
| **Total Liabilities** | | 13,534,422 | 13,374,670 |
| **Accumulated Deficit** | | $ (8,708,064) | $ (8,225,096) |

(See accompanying notes)

Tangible capital assets (note 4)
Contingencies and commitments (notes 12 and 13)
10 Guaranteed debt

## Government of Saskatchewan
## Summary Statement of Revenue, Expenditure, and Accumulated Deficit
For the Year Ended March 31, 2002

(thousands of dollars)

| Schedule | | 2002 | 2001 (Restated) |
|---|---|---|---|
| **Revenue** | | | |
| 11 | Taxation | $ 3,023,328 | $ 3,203,256 |
| 11 | Non-renewable resources | 903,044 | 1,292,714 |
| 11 | Other own-source revenue | 1,070,147 | 923,743 |
| 11 | Transfers from the federal government | 1,517,880 | 1,028,823 |
| **Total Revenue** | | 6,514,399 | 6,448,536 |
| **Expenditure** | | | |
| | Agriculture | 837,288 | 321,524 |
| | Community development | 203,769 | 176,106 |
| | Debt charges (note 9) | 890,784 | 947,229 |
| | Economic development | 140,963 | 150,793 |
| | Education | 987,197 | 1,018,884 |
| | Environment and natural resources | 156,393 | 148,558 |
| | Health | 2,423,522 | 2,223,259 |
| | Protection of persons and property | 298,852 | 265,584 |
| | Social services and assistance | 783,623 | 782,481 |
| | Transportation | 337,282 | 302,904 |
| | Other | 363,755 | 292,401 |
| **Total Expenditure (note 10)** | | 7,423,428 | 6,629,723 |
| | Deficit from government service organizations | (909,029) | (181,187) |
| 3 | Income from government enterprises | 426,061 | 642,386 |
| **(Deficit) Surplus** | | (482,968) | 461,199 |
| Accumulated deficit, beginning of year, as restated (note 15) | | (8,225,096) | (8,686,295) |
| **Accumulated Deficit, End of Year (note 8)** | | $ (8,708,064) | $ (8,225,096) |

(See accompanying notes)

# Government of Saskatchewan
# Summary Statement of Cash Flow

For the Year Ended March 31, 2002

(thousands of dollars)

| Schedule | | 2002 | 2001 (Restated) |
|---|---|---|---|
| | **Operating Activities** | | |
| | (Deficit) Surplus for the year | $ (482,968) | $ 461,199 |
| | Add (deduct) non-cash items | | |
| 3 | Income from government enterprises | (426,061) | (642,386) |
| | Amortization of foreign exchange gains and losses | 17,196 | 14,095 |
| 12 | Gain on other investments | (114,396) | (69,950) |
| | (Reduction of) provision for loan/mortgage losses | (7,232) | 2,513 |
| | Dividends received from other investments | 1,255 | 761 |
| 3 | Dividends received from government enterprises | 458,628 | 1,261,281 |
| 13 | Net change in non-cash operating activities | (97,297) | (163,504) |
| | **Cash (Used for) Provided by Operating Activities** | (650,875) | 864,009 |
| | **Investing Activities** | | |
| | Disposal of land held for resale | 4,663 | 2,086 |
| | Net decrease in loans and mortgages receivable | 37,285 | 14,937 |
| | Acquisition of other investments | (61,062) | (87,053) |
| | Disposition of other investments | 256,096 | 75,525 |
| | **Cash Provided by Investing Activities** | 236,982 | 5,495 |
| | **Financing Activities** | | |
| | Proceeds from public debt | 977,510 | 1,423,242 |
| | Repayment of public debt | (852,825) | (1,653,850) |
| | Increase (decrease) in pension and other liabilities | 78,481 | (549,530) |
| | **Cash Provided by (Used for) Financing Activities** | 203,166 | (780,138) |
| | **(Decrease) increase in cash and temporary investments** | (210,727) | 89,366 |
| | Cash and temporary investments, beginning of year | 884,053 | 794,687 |
| | **Cash and Temporary Investments, End of Year** | $ 673,326 | $ 884,053 |

(See accompanying notes)

# Government of Saskatchewan
# Notes to the Summary Financial Statements
For the Year Ended March 31, 2002

## 1. Significant Accounting Policies

These Summary Financial Statements are prepared in accordance with generally accepted accounting principles for senior governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized below.

### a) Reporting entity

These financial statements report the financial activities of organizations which are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislative Assembly and which are owned or controlled by the Government.

Trusts administered by the Government are excluded from the reporting entity.

A listing of organizations included in the reporting entity is provided in schedule 14. Unless otherwise noted, the financial activities of all subsidiaries of these organizations have also been included.

### b) Method of consolidation

The accounts of all government organizations, except those designated as government enterprises, are consolidated after adjustment to a basis consistent with the accounting policies described in note 1(c). These organizations are referred to as government service organizations. Significant inter-organization accounts and transactions are eliminated.

Government enterprises are defined as self-sufficient organizations that have the financial and operating authority to sell goods and services to individuals and non-government organizations as their principal activity.

Government enterprises are recorded using the modified equity method. The Government's investment in government enterprises, which is initially recorded at cost, is adjusted annually to include the net earnings/losses and other net equity changes of the enterprise without adjustment to conform with the accounting policies described in note 1(c). With the exception of dividends declared by March 31, inter-organization accounts and transactions are not eliminated.

Financial results of government organizations whose fiscal year-ends are not March 31 are adjusted for transactions having a significant impact on the consolidated operating results.

### c) Basis of accounting

The accrual basis of accounting is used and specifically expressed as follows:

#### Revenue

Revenues are recorded on the accrual basis except for receipts from the federal government for corporate and personal income taxes, which are recorded on the cash basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met.

#### Expenditure

Expenditures are recorded on the accrual basis and include the cost of tangible capital assets and inventories of supplies acquired during the year. Government transfers are recognized as expenditures in the period during which the transfer is authorized and any eligibility criteria are met.

#### Assets

Financial assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations.

***Temporary investments*** are recorded at cost which approximates market value.

***Inventories held for resale*** are recorded at the lower of cost and net realizable value. ***Inventories of supplies*** are recorded as an expenditure in the period acquired.

***Land held for resale*** is valued at the lower of cost or net realizable value, on an aggregate basis.

***Deferred charges*** include issue costs and net discounts or premiums incurred on the issue of public debt. They are recorded at cost and amortized on a straight-line basis over the remaining life of the debt issue.

***Deferred foreign exchange loss*** includes net unrealized foreign exchange gains and losses resulting from the conversion of debentures due and sinking funds held in a foreign currency to the Canadian dollar equivalent at the exchange rate in effect at

# Government of Saskatchewan
# Notes to the Summary Financial Statements

March 31. Realized foreign exchange gains and losses are included in the surplus or deficit for the year. Unrealized foreign exchange gains and losses are amortized on a straight-line basis over the remaining life of the debt issue.

***Loans and mortgages receivable*** are initially recorded at cost. Where there has been a loss in value that is other than a temporary decline, the loan or mortgage is written down to recognize the loss. Interest is recognized on the accrual basis except where collection is uncertain. Interest is then recorded on the cash basis.

***Other investments*** are made up of: equity investments; portfolio investments; bonds, debentures and other advances; and property holdings. Equity investments include government business partnerships. Other investments are accounted for by various methods as described below and are written down to their fair value when there is evidence of a permanent decline in value.

*Equity investments* exist when the Government holds shares of private or public companies and exercises significant influence but has less than a controlling interest or when the Government has shared control, as in government business partnerships. These investments are accounted for by the modified equity method. Using this method, the carrying value of the investment is adjusted for the Government's share of the investee's net earnings or losses and is reduced by dividends and partnership distributions received from these investments.

*Government business partnerships* are equity investments where there is a contractual arrangement between the Government and one or more partners outside the reporting entity and where these partners share, on an equitable basis, the significant risks and benefits associated with operating the partnership. These partnerships are self-sufficient organizations that have the financial and operating authority to sell goods and services to individuals and non-government organizations as their principal activity. Government business partnerships are recorded using the modified equity method.

*Portfolio investments* exist when the Government holds shares of private or public companies and the Government does not exercise significant influence. Portfolio investments are recorded at cost, and dividends from these shares are recorded as income when receivable.

*Bonds, debentures and other advances* are recorded at amortized cost.

***Tangible capital assets*** held by government service organizations are recorded as an expenditure in the period acquired. Capital assets held by government enterprises, as disclosed in schedule 3, are generally recorded at cost and amortized on a straight-line basis over the estimated productive life of each asset.

### Liabilities

Reported liabilities include obligations to outside organizations and individuals as a result of transactions and events occurring prior to year-end. They are the result of financial obligations to repay borrowing or to pay for goods and services acquired prior to year-end and of revenue, where goods or services will be delivered in the future.

***Unearned revenue*** is revenue that will be earned in a subsequent fiscal year and includes: revenue for Crown mineral leases; fees, permits and licences; and restricted funding from the federal government and other organizations.

***Public debt*** consists of promissory notes, debentures and bank indebtedness of government service organizations which are recorded net of amounts reimbursable from government enterprises. Total public debt includes public debt and debt of government enterprises, as disclosed in schedule 3.

Public debt is recorded at par. Premiums, discounts and issue costs are recorded as deferred charges and are amortized on a straight-line basis over the remaining life of the debt issue.

Certain debenture issues require contributions to a sinking fund. These obligations are recorded at principal less sinking fund balances where applicable. Premiums and discounts on long-term investments within these sinking funds are amortized by the type of security on a constant yield basis.

Debt issues and sinking fund investments held in foreign currencies are converted to the Canadian dollar equivalent at the exchange rate in effect at March 31.

***Pension liabilities*** are calculated using the projected benefit method prorated on services. Pension fund assets are valued at market related values. Changes in the pension liabilities as a result of estimation adjustments due to experience gains and losses and changes in actuarial assumptions are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Gains or losses as a result of plan amendments are recognized in the period of the plan amendment.

***Guaranteed debt*** includes guarantees of the Government made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Loss provisions on guaranteed debt are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries. The loss provision is recorded as a liability and an expenditure in the year determined and is adjusted as necessary to ensure it equals the expected payout of the guarantee.

# Government of Saskatchewan
# Notes to the Summary Financial Statements

## 2. Cash and Temporary Investments

Temporary investments are generally for less than 30 days and have an average effective interest rate of 2.02 per cent.

## 3. Land Held for Resale

The estimated net realizable value of the Government's land held for resale at March 31, 2002 is $209.8 million (2001 - $218.4 million).

## 4. Tangible Capital Assets

The Government has a significant investment in tangible capital assets that have a useful life of greater than one year. These assets are a key component in the delivery of government programs and provide on-going value to the public.

For government service organizations, tangible capital assets are recorded as an expenditure in the period acquired and are not included in the Statement of Financial Assets, Liabilities, and Accumulated Deficit. In the current year, government service organizations acquired tangible capital assets in the amount of $344.6 million (2001 restated - $294.6 million).

The following table includes the tangible capital assets held by government service organizations and does not include assets acquired by right or heritage assets. These assets are disclosed at cost and are generally amortized on a straight-line basis over the estimated useful life of the asset.

(thousands of dollars)

| | 2002 | | | | | | | | 2001 |
|---|---|---|---|---|---|---|---|---|---|
| | Land | Infra-structure[1] | Buildings | Machinery & Equipment | Vehicles | Capital Leases | Other[2] | Total | Total (Restated) |
| *Estimated useful life* | *Indefinite* | *15 years - Indefinite* | *3 - 50 years* | *2 - 40 years* | *2-20 years* | *Varies* | *1 - 50 years* | | |
| Opening cost | $77,920 | $2,803,896 | $2,224,791 | $795,175 | $70,975 | $69,495 | $232,119 | $6,274,371 | $6,072,417 |
| Reclassification[3] | 7 | - | 50,002 | 2,752 | 109 | (50) | (52,820) | - | - |
| Additions | 1,277 | 133,051 | 48,139 | 64,513 | 7,517 | 3,952 | 86,107 | 344,556 | 294,605 |
| Write-downs | - | - | (29,396) | (1,263) | (21) | - | (417) | (31,097) | (39,828) |
| Disposals | (1,585) | (28,280) | (6,539) | (21,840) | (7,383) | (2,700) | (1,873) | (70,200) | (52,823) |
| Closing cost | 77,619 | 2,908,667 | 2,286,997 | 839,337 | 71,197 | 70,697 | 263,116 | 6,517,630 | 6,274,371 |
| Opening accumulated amortization | - | 1,272,050 | 735,780 | 543,117 | 43,152 | 43,419 | 69,904 | 2,707,422 | 2,539,274 |
| Reclassification[3] | - | - | 289 | (852) | 85 | (128) | 606 | - | - |
| Annual amortization | - | 79,653 | 74,687 | 59,724 | 5,330 | 3,922 | 17,353 | 240,669 | 247,785 |
| Write-downs | - | - | (15,896) | (345) | - | - | (1) | (16,242) | (32,728) |
| Disposals | - | (28,280) | (5,879) | (19,497) | (5,551) | (2,687) | (1,587) | (63,481) | (46,909) |
| Closing accumulated amortization | - | 1,323,423 | 788,981 | 582,147 | 43,016 | 44,526 | 86,275 | 2,868,368 | 2,707,422 |
| Net Book Value of Tangible Capital Assets | $77,619 | $1,585,244 | $1,498,016 | $257,190 | $28,181 | $26,171 | $176,841 | $3,649,262 | $3,566,949 |

[1] The value of infrastructure, which consists of highways, bridges, and water control and irrigation projects, is disclosed for the first time in 2001-02. Accordingly, the March 2001 figures have been restated to include these assets (net book value $1,531.8 million).
[2] Includes construction in progress, computer software, furniture and office equipment, aircraft and other tangible capital assets.
[3] Includes the reclassification of construction in progress completed during the period.

## 5. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accrual of pension obligations, non-renewable resources royalties, site restoration obligations, accident claims obligations and the federal government's Equalization and Canada Health and Social Transfer payments, and in the valuation of loans where repayment is contingent upon an organization's cash flows. The uncertainty arises from factors such as the effect on accrued pension obligations of actual experience compared to actuarial estimations and

# Government of Saskatchewan
# Notes to the Summary Financial Statements

assumptions; the effect on accrued royalties of price and production sensitivities in the royalty structures; the effect on site restoration obligations of actual experience compared to historical estimations and assumptions; the effect on accrued accident claims obligations of actual experience compared to actuarial estimations and assumptions; the effect on transfers from the federal government of changes in economic and demographic conditions in the Province and the country; and the effect of commodity prices on cash flows. Management considers that it is reasonably possible that changes in future conditions, in the near term occurring within one fiscal year, could require a material change in the amounts recognized.

## 6. Risk Management of Public Debt

The Government borrows funds in both domestic and foreign capital markets by issuing Government of Saskatchewan securities. As a result of these transactions, the Government is exposed to four types of risk: interest rate risk, foreign exchange rate risk, credit risk and liquidity risk.

To manage these risks, the Government maintains a preference for fixed rate Canadian dollar denominated debt. Where market conditions dictate that other forms of debt are more attractive, the Government seeks opportunities to use derivative financial instruments to reduce these risks. A derivative financial instrument is a contract whose value is based on the value of another asset or index.

***Interest rate risk*** is the risk that the Government's debt charges will increase due to changes in interest rates. This risk is managed by issuing debt securities at predominantly fixed rates of interest rather than at floating rates of interest. The Government seeks opportunities to effectively convert floating rate debt into fixed rate debt through the use of interest rate swaps. At March 31, 2002, 85.3 per cent (2001 - 81.4 per cent) of the principal value of the Government's debt issues effectively carried a rate of interest that was fixed for greater than a one-year period.

***Foreign exchange rate risk*** is the risk that the Government's debt charges will increase due to a decline in the value of the Canadian dollar relative to other currencies. This risk is managed by maintaining a preference for issuing debt that is denominated in Canadian dollars. Where debt has been issued in foreign currencies, the Government seeks opportunities to effectively convert it into Canadian dollar debt through the use of cross currency swaps. At March 31, 2002, 81.5 per cent (2001 - 79.6 per cent) of the principal value of the Government's debt issues was effectively denominated in Canadian dollars.

***Credit risk*** is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. This risk is managed by dealing only with counterparties with good credit ratings and by establishing limits on individual counterparty exposures and monitoring those exposures on a regular basis. At March 31, 2002, 100 per cent (2001 - 100 per cent) of the Government's counterparties held a Standard and Poor's credit rating of A or better.

***Liquidity risk*** is the risk that the Government will not be able to meet its financial commitments over the short-term. This risk is managed by distributing debt maturities over many years, maintaining sinking funds on long-term debt issues and maintaining adequate cash reserves and short-term borrowing programs as contingent sources of liquidity.

Schedule 9 provides more detailed information on the Government's use of derivative financial instruments.

## 7. Retirement Benefits

The Government sponsors several defined benefit and defined contribution pension plans.

### Pension Liabilities

***Defined benefit pension plans*** provide benefits based on length of service and pensionable earnings. A typical defined benefit pension plan provides pensions equal to 2 per cent of a member's average five years highest salary, multiplied by the years of service to a maximum of 35 years. Members contribute a percentage of salary, which may vary based on age, to their pension plan. Pensions and contribution rates are integrated with the Canada Pension Plan.

Actuarial valuations are performed at least triennially. These valuations are extrapolated by an actuary when a valuation is not done in the current fiscal year. Valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. These assumptions reflect estimates of expected long-term rates and short-term forecasts. Estimates vary based on the individual plan.

The accrued benefit obligation is determined using the projected benefit method prorated on services. Pension fund assets are valued at market related values based on actual market values averaged over a four year period. In the periods between valuations, the actuary estimates the market related value of pension fund assets using expected long-term rates of return for the individual plans.

***Defined contribution plans*** provide pensions based on accumulated contributions and investment earnings. Employees contribute a percentage of salary. The Government matches employee current service contributions.

Pension fund assets of government sponsored defined benefit and defined contribution pension plans are invested in fixed income

# Government of Saskatchewan
# Notes to the Summary Financial Statements

securities, equities, real estate and short-term monetary items. The investment in Government of Saskatchewan securities is insignificant for all plans.

### a) Government Service Organizations

#### Defined benefit pension plans

The two main plans of government service organizations are the Teachers' Superannuation Plan (TSP) and the Public Service Superannuation Plan (PSSP). Other plans include Members of the Legislative Assembly Superannuation Plan (MLA), Judges of the Provincial Court Superannuation Plan (Judges), Saskatchewan Transportation Company Employees Superannuation Plan, Anti-TB League Employees Superannuation Plan and the Saskatchewan Pension Annuity Fund, an annuity underwriting operation.

The TSP provides inflation protection equal to 80 per cent of the annual increase in the Consumer Price Index. Other plans provide inflation indexing at the discretion of the Lieutenant Governor in Council.

The Government is required to match member current service contributions for all plans except Judges and the PSSP. Separate pension funds are maintained for all plans except the PSSP. PSSP member contributions are deposited into the General Revenue Fund. All pension obligations arising under the PSSP are paid from the General Revenue Fund.

Information on the defined benefit pension plans of government service organizations follows:

| | 2002 | | | | 2001 |
|---|---|---|---|---|---|
| | TSP | PSSP | Others | Total | Total |
| Plan status | closed | closed | closed[1] | n/a | n/a |
| Member contribution rate, percentage of salary | 7.85 | 7 - 9 | 5 - 9[2] | n/a | n/a |
| Number of active members | 5,269 | 2,069 | 86 | 7,424 | 8,461 |
| Average age of active members, years | 50.6 | 52.1 | 55 | 51.1 | 49.9 |
| Former members entitled to deferred pension benefits | 6,675 | 124 | 10 | 6,809 | 7,162 |
| Number of superannuates and surviving spouses | 9,533 | 5,701 | 2,015 | 17,249 | 16,629 |
| Member contributions (thousands of dollars) | $ 22,000 | $ 6,278 | $ 359 | $ 28,637 | $ 29,627 |
| Government contributions (thousands of dollars) | 56,000 | - | 4,807 | 60,807 | 54,803 |
| Benefits paid (thousands of dollars) | 224,326 | 92,586 | 6,569 | 323,481 | 306,930 |

[1] Judges is open to new membership, all other plans are closed.
[2] Contribution rate varies based on age upon joining the plan.

The assumptions used to determine the actuarial value of the accrued benefit obligation and pension fund assets for TSP and PSSP are as follows:

| | TSP | PSSP |
|---|---|---|
| Rate of compensation increase | 3.5% | 3% |
| Expected long-term rate of return on plan assets | 7.5% | N/A |
| Discount rate | 7.5% | 6.25% |
| Inflation rate | 3% | 3% |

Based on the latest actuarial valuation, extrapolated to March 31, 2002, the present value of accrued pension benefits and the market related value of pension fund assets are shown in the table below:

(thousands of dollars)

| | | 2002 | | | | | 2001 |
|---|---|---|---|---|---|---|---|
| Plan Name | Actuarial Valuation Date | Accrued Benefit Obligation | Pension Fund Assets | Net Obligation | Unamortized Estimation Adjustments[1] | Recorded Pension Liabilities | Recorded Pension Liabilities |
| TSP | Jun. 30/01 | $ 3,682,000 | $ 1,802,000 | $ 1,880,000 | $ 658,408 | $ 2,538,408 | $ 2,561,028 |
| PSSP | Sept. 30/99 | 1,524,110 | - | 1,524,110 | (183,174) | 1,340,936 | 1,284,808 |
| Others | Various | 218,224 | 136,163 | 82,061 | (8,922) | 73,139 | 66,811 |
| Total | | $ 5,424,334 | $ 1,938,163 | $ 3,486,171 | $ 466,312 | $ 3,952,483 | $ 3,912,647 |

[1] Amortized to income over 1 to 13 years, the estimated average remaining service life of active plan members at the time the estimation adjustment arises. The net estimation adjustment gains (losses) during the year are $245.8 million.
[2] The TSP accrued benefit obligation includes a liability of $78 million (2001 - $67 million) relating to the TSP disability provision.

# Government of Saskatchewan
# Notes to the Summary Financial Statements

At March 31, 2002, the market value of plan investments was $1.9 billion (2001 - $2.0 billion). Of this amount, 43.7 per cent (2001 - 42.4 per cent) was invested in fixed income securities and 50.7 per cent (2001 - 52.7 per cent) in equity investments.

The TSP's actual rate of return on plan assets was 4.9 per cent (2001 - 4.5 per cent).

### Defined contribution pension plans

The two main multi-employer defined contribution pension plans sponsored by the Government are the Public Employees Pension Plan (PEPP) and the Capital Pension Plan (Capital). The Government matches employee current service contributions to these plans. The Government also contributes to the Saskatchewan Teachers' Retirement Plan (STRP), sponsored by the Saskatchewan Teachers' Federation. The Government has fully funded its share of contributions to the defined contribution plans.

Information on the defined contribution pension plans of government service organizations follows:

| | 2002 | | | | 2001 |
|---|---|---|---|---|---|
| | Government Sponsored | | | | |
| | PEPP | Capital | STRP | Total | Total |
| Plan status | open | open | n/a | n/a | n/a |
| Member contribution rate, percentage of salary | 5 - 5.75* | 5 - 5.5* | n/a | n/a | n/a |
| Government contribution rate, percentage of salary | 5 - 5.75* | 5.5 - 6* | n/a | n/a | n/a |
| **Government Service Organization participation:** | | | | | |
| Number of active members | 20,573 | 614 | n/a | 21,187 | 20,123 |
| Number of inactive members | 8,710 | 15 | n/a | 8,725 | 7,977 |
| Member contributions (thousands of dollars) | $ 34,584 | $ 1,527 | n/a | $ 36,111 | $ 33,643 |
| Government contributions (thousands of dollars) | 34,622 | 1,627 | $ 25,644 | 61,893 | 56,948 |

* Contribution rate varies based on employee group

### Pension expenditure

Pension expenditure for government service organizations is allocated to education expenditure and other expenditure. Pension interest expenditure is reported in debt charges. The total pension expenditure of government service organizations includes the following:

| | (thousands of dollars) | |
|---|---|---|
| | 2002 | 2001 |
| **Defined benefit pension plans:** | | |
| Current period benefit cost | $ 73,114 | $ 77,828 |
| Amortization of estimation adjustments | (89,196) | (23,241) |
| | (16,082) | 54,587 |
| Employee contributions | (28,637) | (29,627) |
| | (44,719) | 24,960 |
| Cost of financing unfunded pension obligation (pension interest expenditure) | 231,670 | 227,176 |
| Total pension expenditure, defined benefit plans | 186,951 | 252,136 |
| **Defined contribution pension plans:** | | |
| Total pension expenditure, defined contribution plans | 61,893 | 56,948 |
| Total pension expenditure | $ 248,844 | $ 309,084 |

### b) Government Enterprises

### Defined benefit pension plans

The two main defined benefit pension plans of government enterprises are the Power Corporation Superannuation Plan (SaskPower) and the Saskatchewan Telecommunications Pension Plan (SaskTel). Other pension plans include Saskatchewan Government Insurance Superannuation Plan, Liquor Board Superannuation Plan, and the Workers' Compensation Board Superannuation Plan.

The Government contributes the amount necessary to fund the payment of pension benefits.

## Government of Saskatchewan
## Notes to the Summary Financial Statements

Information on the defined benefit pension plans of government enterprises follows:

| | 2002 | | | | 2001 |
|---|---|---|---|---|---|
| | SaskPower | SaskTel | Others | Total | Total |
| Plan status | closed | closed | closed | n/a | n/a |
| Member contribution rate, percentage of salary | 6 -9[1] | 7 - 9[2] | 6.5 - 9[2] | n/a | n/a |
| Number of active members | 661 | 818 | 170 | 1,649 | 1,721 |
| Number of former members, superannuates and surviving spouses | 1,713 | 1,570 | 484 | 3,767 | 3,750 |
| Member contributions (thousands of dollars) | $ 1,908 | $ 2,703 | $ 440 | $ 5,051 | $ 5,239 |
| Government contributions (thousands of dollars) | 479 | - | 2,140 | 2,619 | 2,515 |
| Benefits paid (thousands of dollars) | 38,455 | 38,719 | 7,021 | 84,195 | 88,340 |

[1] Contribution rate varies based on age upon joining the plan and employee group.
[2] Contribution rate varies based on age upon joining the plan.

The assumptions used to determine the amounts under the defined benefit pension plans are as follows:

| | |
|---|---|
| Rate of compensation increase | 2.8% - 4% |
| Expected long-term rate of return on plan assets | 6.25% - 7.6% |
| Discount rate | 6.25% - 6.8% |
| Inflation rate | 2.8% - 3% |

Based on the latest actuarial valuations extrapolated to December 31, 2001, the present value of accrued pension benefits and the market related value of pension fund assets are shown in the table below:

(thousands of dollars)

| | | 2002 | | | 2001 |
|---|---|---|---|---|---|
| Plan Name | Actuarial Valuation Date | Accrued Benefit Obligation | Pension Fund Assets | Pension (Surplus) Liability | Pension (Surplus) Liability |
| SaskPower | September 30, 2001 | $ 640,650 | $ 698,321 | $ (57,671) | $ (102,041) |
| SaskTel | December 31, 1998 | 695,134 | 749,193 | (54,059) | (155,055) |
| Others | Various | 112,584 | 98,250 | 14,334 | 15,229 |
| Total | | $ 1,448,368 | $ 1,545,764 | $ (97,396) | $ (241,867) |

At December 31, 2001, the market value of plan investments was $1.5 billion (2000 - $1.6 billion). Of this amount, 45.6 per cent (2000 - 43.5 per cent) was invested in fixed income securities and 45.6 per cent (2000 - 45.6 per cent) in equity investments.

### Defined contribution pension plans

Information on the defined contribution pension plans of government enterprises follows:

| | 2002 | | | 2001 |
|---|---|---|---|---|
| | PEPP | Capital | Total | Total |
| Plan status | open | open | n/a | n/a |
| Member contribution rate, percentage of salary | 4 - 6[1] | 5 - 5.5 | n/a | n/a |
| Number of active members | 7,783 | 2,006 | 9,789 | 9,507 |
| Number of inactive members | 2,523 | 61 | 2,584 | 2,460 |
| Member contributions (thousands of dollars) | $ 15,839 | $ 4,203 | $ 20,042 | $ 19,079 |
| Government contributions (thousands of dollars) | 19,986 | 4,089 | 24,075 | 22,860 |

[1] Contribution rate varies based on employee group.

### Pension expense

Pension expense and pension interest expense for government enterprises are included in income from government enterprises. The pension expense (income) for the year for the defined benefit plans totalled $(28,154) million (2001 - $(21,395) million) and $24,075 million (2001 - $22,860 million) for the defined contribution plans.

# Government of Saskatchewan
# Notes to the Summary Financial Statements

**Other Future Benefit Plans**

Other future benefit plans of government enterprises include defined benefit severance plans for management employees, union employees and the supplementary superannuation plan. The present value of accrued benefits is $40 million (2001 - $37.2 million) and the accrued benefit liability is $20.9 million (2001 - $18.7 million).

## 8. Reserves

The accumulated deficit of $8,708.1 million consists of an unallocated deficit component of $8,720.0 million and the Environmental Protection Reserve of $11.9 million. The Environmental Protection Reserve was created to provide contingency funding to mitigate unforeseen environmental problems related to uranium milling. The reserve is maintained at its March 31, 1992 balance.

## 9. Debt Charges

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| Total interest costs | $ 1,126,774 | $ 1,217,719 |
| Less interest reimbursed from government enterprises | (260,838) | (292,530) |
| Other costs | 24,848 | 22,040 |
| Total Debt Charges | $ 890,784 | $ 947,229 |

## 10. Expenditure by Object

(thousands of dollars)

| | 2002 | 2001 (Restated) |
|---|---|---|
| Transfers | $ 2,880,497 | $ 2,475,557 |
| Salaries and benefits | 1,948,000 | 1,850,836 |
| Operating costs | 984,982 | 875,061 |
| Debt charges | 890,784 | 947,229 |
| Tangible capital asset acquisitions | 344,556 | 294,605 |
| Other | 374,609 | 186,435 |
| Total Expenditure | $ 7,423,428 | $ 6,629,723 |

## 11. Comparison of Planned to Actual Results

(thousands of dollars)

| | 2002 | | 2001 (Restated) |
|---|---|---|---|
| | Planned | Actual | Actual |
| Surplus of the General Revenue Fund | $ 2,776 | $ 1,098 | $ 57,691 |
| Income from government enterprises | | 426,061 | 642,386 |
| (Deficit) Surplus of other government service organizations | | (297,248) | 1,096,426 |
| Dividends received from government organizations included in the surplus figures above | | (658,628) | (1,261,281) |
| Adjustments to conform to the basis of accounting described in note 1(c) | | 45,749 | (74,023) |
| (Deficit) Surplus | | $ (482,968) | $ 461,199 |

The planned and actual figures are before elimination of inter-organization transactions.

# Government of Saskatchewan
# Notes to the Summary Financial Statements

## 12. Contingencies

### a) Guaranteed debt

At March 31, 2002, $323.1 million (2001- $386.7 million) in loans were guaranteed by the Government. Schedule 10 provides a listing of guaranteed debt.

### b) Lawsuits

Up to $49.5 million may be paid depending on the outcome of lawsuits in progress.

### c) Indian and Northern Affairs Canada

The Government pays for certain social services provided to status Indians and submits claims to the federal government for the cost of these services. The Government believes these costs are the responsibility of the federal government and that these costs are fully reimbursable. However, the federal government denies responsibility for a portion of these costs.

The Government is unable to determine whether the outstanding amounts will be reimbursed. The Government will account for any recovery resulting from the resolution of this contingency at the time of settlement. No provision for such a recovery has been made in these financial statements.

### d) Other

Other contingencies of $3.1 million may be paid depending on the outcome of future events.

## 13. Commitments

Significant financial commitments include:

- forward purchase commitments of $1,729.7 million for coal contracted for future minimum deliveries valued at current prices;
- forward purchase commitments of approximately $3,000 million for power over the next 25 years;
- treaty land entitlement agreement commitments valued at approximately $67.1 million;
- other commitments of $838.4 million which include commitments of $23.3 million for agriculture, $13.6 million for community development, $82.8 million for economic development, $70.1 million for education, $51.0 million for health, $123.4 million for social services and assistance, and $61.9 million for transportation; and
- capital and operating lease obligations as follows:

(thousands of dollars)

| | Operating | Capital |
|---|---|---|
| Future minimum lease payments | | |
| 2002-03 | $ 62,703 | $ 15,835 |
| 2003-04 | 61,057 | 16,779 |
| 2004-05 | 52,772 | 15,458 |
| 2005-06 | 43,279 | 13,934 |
| 2006-07 | 34,132 | 11,482 |
| Thereafter | 44,679 | 54,590 |
| | 298,622 | 128,078 |
| Less: Interest and executory costs | - | (44,575) |
| Total Lease Obligations | $ 298,622 | $ 83,503 |

Total operating lease obligations include $201.4 million for government service organizations and $97.2 million for government enterprises.

Total capital lease obligations include $47.8 million for government service organizations (schedule 5) and $35.7 million for government enterprises.

# Government of Saskatchewan
# Notes to the Summary Financial Statements

## 14. Trust Funds

Trust funds are property held and administered on behalf of beneficiaries. Trust assets are not owned by the Government and the Government has no equity in the funds. Therefore, trust funds are not included in the reporting entity.

Fund balances held and administered by the Government at March 31, 2002, are as follows:

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| Superannuation funds and pension plans[1] | $ 8,098,203 | $ 8,086,125 |
| Public Trustee's Trust Account | 139,542 | 135,357 |
| Other trusts | 30,161 | 39,543 |
| Total Trust Funds | $ 8,267,906 | $ 8,261,025 |

[1] The balance reflects the latest financial statements of the funds and plans closest to March 31, 2002.

## 15. Comparative Figures

Certain of the 2001 comparative figures have been reclassified to conform with the current year's presentation. In addition, the following changes in accounting policy required restatement of the 2001 comparative figures.

**Property Holdings**

During 2001-02, certain property holdings were reclassified from other investments to tangible capital assets. The Government's policy is to record tangible capital assets as an expenditure in the period acquired. The effect of this change in policy in the current year is an increase in expenditure of $14 million. The Government has retroactively restated comparative figures to record this change in accounting policy.

**Government Enterprises**

a) Foreign Currency Translation

During 2001-02, certain government enterprises adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) for foreign currency translation. Prior to 2001-02, government enterprises deferred and amortized unrealized foreign exchange gains and losses on long-term monetary items. The new recommendations of the CICA require that unrealized foreign exchange gains and losses be included in income of the current period. The effect of this change in policy in the current year is a decrease in income from government enterprises of $37 million. The Government has retroactively restated comparative figures to record this change in accounting policy.

b) Future Benefits Administration Costs

During 2001-02, the Workers' Compensation Board (Saskatchewan) (WCB) changed its policy of accounting for the estimated future costs of administering benefit claims incurred. Prior to 2001-02, these costs were accounted for as reserves. WCB now records the estimated future costs as a liability. The effect of this change in policy in the current year is a decrease in income from government enterprises of $3 million. The Government has retroactively restated comparative figures to record this change in accounting policy.

The net effect of the restatements is as follows:

(thousands of dollars)

| | Increase (Decrease) | | | |
|---|---|---|---|---|
| | March 31, 2001 | | | March 31, 2000 |
| | Surplus for the year | Assets | Liabilities | Accumulated Deficit |
| As previously reported | $ 506,354 | $ 5,456,120 | $ 13,374,670 | $ 8,424,904 |
| Property Holdings | (23,465) | (128,482) | - | 105,017 |
| Government Enterprises | | | | |
| Foreign Currency Translation | (21,282) | (146,868) | - | 125,586 |
| Future Benefits Administration Costs | (408) | (31,196) | - | 30,788 |
| As restated | $ 461,199 | $ 5,149,574 | $ 13,374,670 | $ 8,686,295 |

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

For the Year Ended March 31, 2002

## Schedule 1 - Accounts Receivable

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| Taxation | $ 154,429 | $ 142,254 |
| Non-renewable resources | 123,838 | 119,715 |
| Transfers from the federal government | 54,426 | 64,506 |
| Leases and farm loans | 10,858 | 12,543 |
| Accrued interest | 5,321 | 4,484 |
| Insurance premiums due from agricultural producers | 2,917 | 6,498 |
| Other | 356,366 | 310,989 |
| **Total Accounts Receivable** | $ 708,155 | $ 660,989 |

## Schedule 2 - Loans and Mortgages Receivable

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| **Agricultural Loans** | | |
| Capital loan program | $ 63,967 | $ 79,552 |
| Production loan program | 1,781 | 2,526 |
| Short-term hog loan program | 1,361 | 6,030 |
| Counselling and Assistance for Farmers program | 1,349 | 1,832 |
| Livestock cash advance program | 980 | 1,517 |
| Other | 391 | 749 |
| | 69,829 | 92,206 |
| Provision for losses | (24,208) | (37,336) |
| | 45,621 | 54,870 |
| **Student Loans** | 37,536 | 9,348 |
| Provision for losses | (11,996) | (6,430) |
| | 25,540 | 2,918 |
| **Other Loans** | 63,959 | 70,604 |
| Provision for losses | (27,312) | (26,954) |
| | 36,647 | 43,650 |
| **Mortgages** | | |
| Housing | 4,368 | 4,505 |
| Cornwall Centre | - | 36,050 |
| Other | - | 236 |
| | 4,368 | 40,791 |
| **Total Loans and Mortgages Receivable** | $ 112,176 | $ 142,229 |

See page 59 for additional information.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 2 (continued) - Loans and Mortgages Receivable

### Capital loan program

Loans are repayable over terms not exceeding twenty-five years and bear interest at rates between 6.0 per cent and 13.5 per cent. Security on individual loans varies and may include mortgages on real property, security agreements and guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

### Production loan program

Production loans were disbursed in 1986 bearing interest at 6.0 per cent repayable in equal principal instalments over a term of three years. Amounts in arrears are at prime plus 2 per cent. Program amendments allowed borrowers to reschedule their outstanding loans at an average rate of 9.0 per cent. The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

### Short-term hog loan program

Loan applications were accepted under this program between January 15, 1999 and July 5, 1999 for hogs marketed between November 1, 1998 and May 29, 1999. The loans are repayable, at floating interest rates, in full by March 31, 2003. Penalty interest is charged at prime plus 2 per cent. The program operates under *The Farm Financial Stability Act*.

### Counselling and Assistance for Farmers program

Effective August 1, 1992, the Government no longer issued new guarantees under this program. Existing guarantees were renewed until March 31, 1995, at which time the program was terminated. The majority of loans are in default, have judgements obtained on them and bear interest at 5 per cent. The loans are secured by way of an assignment of security from the original lender. The program operates under *The Farm Financial Stability Act*.

### Livestock cash advance program

Effective August 1, 1993, clients with livestock cash advances began repaying their loans, bearing interest at the bank prime rate plus 2 per cent, over a maximum five-year period. Program amendments allowed borrowers to reschedule their outstanding loans at an average rate of 9.0 per cent. The loans are secured by promissory notes and, where applicable, by guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

### Student loans

The program operates under the authority of *The Student Assistance and Student Aid Fund Act, 1985*. Loans are interest-free until the discontinuance of full-time studies or graduation. Interest rates are prescribed by the Minister of Post-Secondary Education and Skills Training. Special incentive loan remission grants, student bursaries, scholarships, study grants and other varieties of loan forgiveness are available to students who meet specific criteria.

A Risk Sharing Student Loans Agreement between the Government and a bank was signed in March 1996. This Agreement covers loans approved between August 1, 1996 and July 31, 2001. The Government retained responsibility for loan approval. Loans approved are lender-financed, disbursed, managed and collected by the bank. The Government pays a risk premium of 5.0 per cent to the bank when loans become repayable.

In June 2001, the Government entered into an agreement with the federal government to integrate the federal and provincial student loans programs. This agreement is effective for loans approved on or after August 1, 2001 and establishes the Government as financier of the program. The Government approves applications for both provincial and federal loans. Disbursement, administration and collection of loans is contracted to external agencies.

### Housing mortgages

Housing mortgages were provided pursuant to provisions of Section 15 of *The Saskatchewan Housing Corporation Act*. The mortgages are repayable, at various interest rates, over terms not exceeding thirty-five years. Security on the mortgages may include promissory notes or charges against residential property.

### Cornwall Centre mortgages

The Government held two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. Both mortgages matured December 1, 2001.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 3 - Investment in Government Enterprises

| | SaskEnergy Incorporated Dec. 31, 2001 | Saskatchewan Power Corporation Dec. 31, 2001 | Saskatchewan Telecom-munications Holding Corporation Dec. 31, 2001 | Saskatchewan Liquor and Gaming Authority Mar. 31, 2002 | Saskatchewan Gaming Corporation Mar. 31, 2002 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and temporary investments | | | | | |
| Due from government organizations | $ | | | 32,348 | |
| Other | (678) | 202,730 | 42,026 | 2,999 | 16,781 |
| Accounts receivable | | | | | |
| Due from government organizations | | | | | |
| Other | 145,711 | 141,826 | 101,882 | 19,192 | 889 |
| Inventories | | 104,501 | 10,177 | 14,300 | 177 |
| Prepaid expenses | 41,817 | 15,668 | 13,269 | 2,301 | 580 |
| Long-term investments | | | | | |
| In the Province | | | | | |
| Other | 12,832 | 14,155 | 79,199 | | |
| Capital assets | 1,018,687 | 3,071,338 | 910,884 | 32,733 | 50,782 |
| Other assets | | | | | |
| Due from government organizations | | 4,000 | | | |
| Other | 142,355 | 37,128 | 87,450 | 381 | |
| **Total Assets** | **1,360,724** | **3,591,346** | **1,244,887** | **104,254** | **69,209** |
| **Liabilities** | | | | | |
| Accounts payable and accrued liabilities | | | | | |
| Due to government organizations | 13,344 | 55,846 | 7,594 | | |
| Other | 115,927 | 178,016 | 97,226 | 10,900 | 7,442 |
| Dividends payable to government organizations | | 6,557 | 20,490 | 66,297 | 26,380 |
| Debt | | | | | |
| Owing to government organizations | 836,947 | 1,820,174 | 434,651 | | |
| Other | 4,816 | 91,070 | 15,562 | | 35,387 |
| Unearned revenue | | | | | |
| Received from government organizations | 2,375 | | | | |
| Other | 94,815 | 299,971 | 27,791 | | |
| Unpaid insurance claims | | | | | |
| Other liabilities | | | 446 | 24,438 | |
| **Total Liabilities** | **1,068,224** | **2,451,634** | **603,760** | **101,635** | **69,209** |
| **Net Assets (Liabilities)** | **$ 292,500** | **1,139,712** | **641,127** | **2,619** | **-** |
| **Revenue** | | | | | |
| Revenue from operations | $ 590,027 | 1,114,268 | 811,885 | 645,376 | 69,667 |
| Transfers from government organizations | 12,053 | 17,422 | 31,576 | | |
| **Total Revenue** | **602,080** | **1,131,690** | **843,461** | **645,376** | **69,667** |
| **Expenses** | | | | | |
| Expenses from operations | 540,291 | 871,918 | 686,763 | 327,990 | 43,287 |
| Transfers to government organizations | 77,166 | 230,620 | 55,202 | | |
| **Total Expenses**[3] | **617,457** | **1,102,538** | **741,965** | **327,990** | **43,287** |
| Income (loss) before non-recurring items | (15,377) | 29,152 | 101,496 | 317,386 | 26,380 |
| Non-recurring items | | | | | |
| **Net Income (Loss)** | **(15,377)** | **29,152** | **101,496** | **317,386** | **26,380** |
| Retained earnings (deficit) - beginning of year, as previously reported | 236,346 | 587,813 | 406,626 | | |
| Restatement of prior years (note 15) | | (121,220) | (25,648) | 943 | |
| Dividends to government organizations | | (16,026) | (91,347) | (315,710) | (26,380) |
| Retained earnings (deficit) - end of year | 220,969 | 479,719 | 391,127 | 2,619 | - |
| Equity advances/share capital | 71,531 | 659,993 | 250,000 | | |
| **Net Assets (Deficiency)** | **$ 292,500** | **1,139,712** | **641,127** | **2,619** | **-** |

See page 62 for additional information.

[1] Adjustments include:
- reclassifying dividends paid by March 31, 2002;
- reclassifying cross currency swaps of Saskatchewan Power Corporation; and
- reversing the loss recognized by Municipal Financing Corporation for a premium paid on an exchange of debt with the General Revenue Fund and amortizing this same loss over the term of the original debt issues.

[2] Net assets are restricted as disclosed in the narrative portion of this schedule on the pages following.

[3] Total expenses include debt charges, net of sinking fund earnings, of $290.7 million (2001 restated - $283.6 million), of which $249.0 million (2001 - $251.2 million) in interest was paid to government organizations.

(thousands of dollars)

| Municipal Financing Corporation of Saskatchewan Dec. 31, 2001 | Saskatchewan Government Insurance Dec. 31, 2001 | Saskatchewan Auto Fund Dec. 31, 2001 | Workers' Compensation Board (Saskatchewan)[2] Dec. 31, 2001 | Saskatchewan Government Growth Fund Management Corporation Dec. 31, 2001 | Adjustments [1] | | Total 2002 | | Total 2001 (Restated) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| 18,674 | 30,098 | 68,164 | 7,858 | 653 | (27,596) | $ | 32,348 | $ | 12,925 |
| | | | | | | | 361,709 | | 213,358 |
| | | 6,473 | 8,959 | | | | | | |
| 1,146 | 55,508 | 77,285 | 23,267 | 2,129 | | | 15,432 | | 4,473 |
| | | | | | | | 568,835 | | 577,802 |
| | 44,546 | 16,695 | | | | | 129,155 | | 132,218 |
| | | | | | | | 134,876 | | 71,536 |
| | 6,176 | 10,339 | 7,406 | | | | | | |
| 26,080 | 256,169 | 651,690 | 804,288 | 1,557 | | | 23,921 | | 19,958 |
| | 13,381 | 41,276 | 19,438 | 6 | | | 1,845,970 | | 1,742,077 |
| | | | | | | | 5,158,525 | | 4,930,650 |
| | 4,601 | | | | | | 4,000 | | 2,000 |
| | | | | | (11,899) | | 260,016 | | 203,309 |
| 45,900 | 410,479 | 871,922 | 871,216 | 4,345 | (39,495) | | 8,534,787 | | 7,910,306 |
| | | | | | | | | | |
| 1,171 | 11,739 | 23,271 | 7,799 | | | | 120,764 | | 117,489 |
| 18 | 13,326 | 18,259 | 19,949 | 239 | | | 461,302 | | 498,957 |
| | 575 | | | | (27,596) | | 92,703 | | 68,721 |
| 31,365 | | | | | (22,944) | | 3,100,193 | | 2,764,062 |
| 2,500 | | | | | | | 149,335 | | 33,051 |
| | | | | | | | 2,375 | | 2,323 |
| | 113,408 | 200,944 | | | | | 736,929 | | 691,200 |
| | 172,924 | 627,479 | 700,463 | | | | 1,500,866 | | 1,343,440 |
| | 4,660 | | 93,030 | | | | 122,574 | | 110,750 |
| 35,054 | 316,632 | 869,953 | 821,241 | 239 | (50,540) | | 6,287,041 | | 5,629,993 |
| 10,846 | 93,847 | 1,969 | 49,975 | 4,106 | 11,045 | $ | 2,247,746 | $ | 2,280,313 |
| | | | | | | | | | |
| 3,802 | 207,490 | 506,929 | 208,269 | 3,982 | | $ | 4,161,595 | $ | 3,982,812 |
| | | 3,282 | 11,461 | | | | 75,794 | | 76,399 |
| 3,802 | 207,490 | 510,211 | 219,730 | 3,982 | - | | 4,237,489 | | 4,059,211 |
| | | | | | | | | | |
| 328 | 188,832 | 468,734 | 267,752 | 6,719 | 948 | | 3,403,562 | | 3,005,815 |
| 5,967 | 8,475 | 22,637 | 7,799 | | | | 407,866 | | 398,084 |
| 6,295 | 197,307 | 491,371 | 275,551 | 6,719 | 948 | | 3,811,428 | | 3,403,899 |
| (2,493) | 10,183 | 18,840 | (55,821) | (2,737) | (948) | | 426,061 | | 655,312 |
| | | | | | | | - | | (12,926) |
| (2,493) | 10,183 | 18,840 | (55,821) | (2,737) | (948) | | 426,061 | | 642,386 |
| | | | | | | | | | |
| 13,339 | 37,829 | (16,871) | 136,992 | 6,842 | 12,929 | | 1,421,845 | | 2,019,050 |
| | | | (31,196) | | (943) | | (178,064) | | (156,374) |
| | (9,165) | | | | | | (458,628) | | (1,261,281) |
| 10,846 | 38,847 | 1,969 | 49,975 | 4,105 | 11,038 | | 1,211,214 | | 1,243,781 |
| | 55,000 | | | 1 | 7 | | 1,036,532 | | 1,036,532 |
| 10,846 | 93,847 | 1,969 | 49,975 | 4,106 | 11,045 | $ | 2,247,746 | $ | 2,280,313 |

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 3 (continued) - Investment in Government Enterprises

### SaskEnergy Incorporated (SaskEnergy)

SaskEnergy promotes, transports, stores and distributes natural gas in Saskatchewan.

### Saskatchewan Power Corporation (SaskPower)

SaskPower generates, purchases, transmits, distributes and sells electricity and related products and services.

### Saskatchewan Telecommunications Holding Corporation (SaskTel)

SaskTel markets and supplies a range of voice, data, Internet, wireless, text and image products, systems and services. Through interconnection agreements, SaskTel is part of the national and global communications network.

### Saskatchewan Liquor and Gaming Authority (SLGA)

SLGA's main functions are to control the manufacture and distribution of beverage alcohol throughout the Province, to oversee the licencing of all establishments selling alcohol in the Province and to maintain the integrity of all licenced gaming while ensuring maximum benefit to Saskatchewan charities.

### Saskatchewan Gaming Corporation (SGC)

SGC's mandate is to manage and operate Casino Regina.

### Municipal Financing Corporation of Saskatchewan (MFC)

MFC's objective is to assist municipalities in financing their capital requirements.

### Saskatchewan Government Insurance (SGI) & Saskatchewan Auto Fund (Auto Fund)

SGI's competitive general insurance business, SGI CANADA, offers a comprehensive line of home, tenant, farm, automobile extension and commercial coverages.

The Auto Fund, the Province's compulsory vehicle insurance program, is administered by SGI on behalf of the Government. Any net assets of the Auto Fund are held on behalf of Saskatchewan's motoring public and are not used for the payment of dividends to the General Revenue Fund.

### Workers' Compensation Board (Saskatchewan) (WCB)

WCB provides workers' compensation insurance to Saskatchewan workers and employers. Any net assets of the WCB cannot be used for the payment of dividends to the General Revenue Fund.

### Saskatchewan Government Growth Fund Management Corporation (SGGF)

SGGF participates in the federal government's Immigrant Investor Program to acquire lower cost capital for commercial investment in Saskatchewan. Investment funds are raised through eight subsidiary fund companies and are managed by Crown Capital Partners Inc., a fund manager.

In March 1999, the Immigrant Investor Program ended. However, with a significant number of subscribers yet to complete their subscription requirements, the funds will require management by SGGF for at least the next six years.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 4 - Other Investments

(thousands of dollars)

| | Partnership Interest / Voting Percentage | 2002 | 2001 (Restated) |
|---|---|---|---|
| **Equity Investments** | | | |
| **Government Business Partnerships** | | | |
| Centennial Foods Partnership | | | |
| partnership interest | 35.0% | $ **19,614** | $ 19,939 |
| NewGrade Energy Inc. | | | |
| 100 (2001 - 100) Class Y participating common shares | 50.0% | **14,931** | (4,804) |
| Foragen Technologies Limited Partnership | | | |
| partnership interest | 33.3% | **2,275** | 3,000 |
| Meadow Lake Pulp Limited Partnership | | | |
| partnership interest | 50.0% | **(48,266)** | (33,629) |
| **Other Equity Investments** | | | |
| Saskferco Products Inc. | | | |
| 68,449,080 (2001 - 68,449,080) Class B common shares | 49.0% | **109,303** | 106,079 |
| Other | | **40,463** | 32,088 |
| | | **138,320** | 122,673 |
| **Portfolio Investments** | | | |
| HARO Financial Corporation | | | |
| 68,000,000 (2001 - 68,000,000) Class B non-voting common shares | | **68,000** | 68,000 |
| Cameco Corporation | | | |
| 0 (2001 - 5,423,123) common shares | | **-** | 114,898 |
| Other | | **38,177** | 16,878 |
| | | **106,177** | 199,776 |
| **Bonds, Debentures and Other Advances** | | | |
| HARO Financial Corporation | | **171,141** | 162,666 |
| Meadow Lake Pulp Limited Partnership | | **150,361** | 148,361 |
| NewGrade Energy Inc. | | **8,490** | 21,679 |
| Other | | **61,440** | 58,856 |
| | | **391,432** | 391,562 |
| **Property Holdings** | | **5,028** | 8,838 |
| **Total Other Investments** | | $ **640,957** | $ 722,849 |

See pages 64-66 for additional information.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 4 (continued) - Other Investments

**Centennial Foods Partnership (Centennial)**

The Government, through its wholly-owned subsidiary CIC Foods Inc., owns a 35 per cent interest in Centennial.

**NewGrade Energy Inc. (NewGrade)**

The Government owns 50 per cent (2001 - 50 per cent) of the outstanding voting participating shares of NewGrade. The Government also holds certain promissory notes due on demand from NewGrade that bear interest at Bank of Montreal prime rate, which was 4.0 per cent at December 31, 2001 (2000 - 7.5 per cent).

In addition, should there be any operating shortfall at the end of any year, the Government will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers' Co-operative Refineries Limited (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then the Government will lend NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro-rata basis with CCRL. If this facility is exhausted, the Government will lend NewGrade the remainder to cover any other annual operating shortfalls. These loans bear interest at CCRL s rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40.0 million outstanding at any time.

During 2001, the Government received $15.5 million from NewGrade in principal payments on promissory notes outstanding. Of this amount, $2.3 million represents recovery of loans previously allowed for.

**Foragen Technologies Limited Partnership (Foragen)**

The Government, through its wholly-owned subsidiary 101012875 Saskatchewan Ltd., owns a 33.3 per cent interest in Foragen. The Government has committed to providing $14.0 million in equity to Foragen over the five years ending 2005. At December 31, 2001, the Government had provided $3.0 million (2000 - $3.0 million) of this commitment.

**Meadow Lake Pulp Limited Partnership (MLPLP)**

The Government, through its wholly-owned subsidiary CIC Pulp Ltd., owns a 50 per cent (2001 - 50 per cent) interest in MLPLP.

In addition to its equity interest in MLPLP, the Government has also provided the following loans:

- Participating Debenture of $99.0 million (2001 - $99.0 million) bearing interest at 11.15 per cent (2001 - 11.15 per cent) calculated on October 31 of each year.
- Term Loan of $20.0 million (2001 - $20.0 million) bearing interest at prime plus 2.0 per cent, which was 6.0 per cent at December 31, 2001 (2001 - 9.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Contingency Loan of $10.9 million (2001 - $10.9 million) bearing interest at prime plus 1.0 per cent, which was 5.0 per cent at December 31, 2001 (2001 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance of $10.0 million (2001 - $8.0 million) bearing interest at prime plus 1.0 per cent, which was 5.0 per cent at December 31, 2001 (2001 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance, and
- Cash Flow Loan of $10.5 million (2001 - $10.5 million) bearing interest at prime plus 1.0 per cent, which was 5.0 per cent at December 31, 2001 (2001 - 8.5 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Government records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any payments to be made on the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after MLPLP has fully repaid an external bank loan. The Participating Debenture, Term Loan, Contingency Loan and Interest Loan mature in 2014. The remaining balance outstanding on the Participating Debenture and Interest Loan on October 31, 2014 shall bear interest at a rate equal to the Governmentís short-term cost of borrowing, which at December 31, 2001 was 1.98 per cent (2000 - 5.63 per cent), until paid in full.

On June 14, 2001, MLPLP refinanced its long-term debt with other major lenders. As a part of the refinancing agreement, the Government provided a guarantee on MLPLP's long-term debt payments to the other lenders to a maximum of $80 million. During the year, the Government provided payments of $2 million under this guarantee.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 4 (continued) - Other Investments

The total deferred interest is $326.4 million (2000 - $275.5 million).

Due to the uncertainty of cash flows from MLPLP, the Government's Participating Debenture is shown net of a provision for loan losses of $60.0 million (2000 - $60.0 million).

**Saskferco Products Inc. (Saskferco)**

The Government holds a 49 per cent (2000 - 49 per cent) voting interest in Saskferco.

**HARO Financial Corporation (HARO)**

To December 31, 2001, the Government had advanced $273.0 million (2000 - $273.0 million) to HARO to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Government exercised its right to convert $68.0 million of these advances into 68,000,000 non-voting, fully participating equity shares of HARO.

The loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. In 1998, the Government agreed to renew this loan for a second five-year term. Annual interest rates on the loan are fixed at the start of each renewal term. For the second five-year term, the interest rate on the loan is 6.64 per cent compounded annually.

Security for the loan is 100 per cent of HARO's assets, which as of December 31, 2001 consisted primarily of HARO's 64.5 per cent interest in Crown Life shares. In 1999, the Canada Life Assurance Company acquired most of the insurance operations of Crown Life. The remaining assets and operations will continue to be managed by Crown Life.

Payment of principal and interest is subject to available cash flow as defined in the loan agreement. Due to collection uncertainty, the Government will record interest income when payments are received.

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Government has a unilateral right, prior to December 15, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval.

Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Government to a maximum of 100 per cent of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Government has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

**Cameco Corporation (Cameco)**

On February 14, 2002, the Government sold its remaining 5,423,123 shares in Cameco for net proceeds of $226.4 million, generating a gain on sale of $111.5 million.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 4 (continued) - Other Investments

**Investment in Government Business Partnerships**

The Government has invested in government business partnerships to promote economic growth and provide an economic return. At March 31, 2002, the Government's investment in government business partnerships includes a 35 per cent share in Centennial Foods Partnership (Centennial), a 50 per cent share in NewGrade Energy Inc. (NewGrade), a 33.3 per cent share in Foragen Technologies Limited Partnership (Foragen) and a 50 per cent share in Meadow Lake Pulp Limited Partnership (MLPLP). Centennial is a value-added food manufacturing and food service distribution business that is expanding its processing operations into Saskatchewan; NewGrade operates a heavy oil upgrading plant in Regina; Foragen is a venture capital fund which will offer seed capital to technology corporations; and MLPLP operates a pulp mill near Meadow Lake. These investments are accounted for using the modified equity method. For 2000-01 only, due to limited activity during the year, Foragen was recorded at cost and is not included in the 2001 condensed financial information for government business partnerships.

| | (thousands of dollars) | |
|---|---|---|
| | **2002** | 2001 |
| **Condensed Financial Information for Government Business Partnerships:** | | |
| **Assets** | | |
| Capital assets | **$ 284,836** | $ 303,993 |
| Other assets | **269,694** | 277,639 |
| **Total Assets** | **554,530** | 581,632 |
| **Liabilities** | | |
| Debt | | |
| Owing to government organizations | **550,506** | 515,076 |
| Other | **243,849** | 269,573 |
| Other liabilities | **114,206** | 113,647 |
| **Total Liabilities** | **908,561** | 898,296 |
| **Net Liabilities** | **$ (354,031)** | $ (316,664) |
| **Operating Results** | | |
| Revenue | **$ 1,095,858** | $ 1,236,862 |
| Expenses | **1,140,889** | 1,143,887 |
| **Net Operating Results** | **(45,031)** | 92,975 |
| Net Operating Deficiency - beginning of year | **(483,286)** | (576,261) |
| Net Operating Deficiency - end of year | **(528,317)** | (483,286) |
| Equity advances/share capital (net of partnership distributions) | **174,286** | 166,622 |
| **Net Deficiency** | **$ (354,031)** | $ (316,664) |
| **Investment in Government Business Partnerships:** | | |
| Government's share of Net Operating Deficiency - end of year | **$ (263,631)** | $ (241,617) |
| Government's investment [1] | **90,051** | 88,927 |
| Adjustments [2] | **162,134** | 137,196 |
| **Total Investment in Government Business Partnerships** [3] | **$ (11,446)** | $ (15,494) |

[1] Government's investment includes the Government's initial investment net of partnership distributions as well as subsequent cash injections provided under various terms and conditions

[2] Adjustments include
- elimination of expenditures included in the Government's share of accumulated operating deficiency above and also consolidated as part of the operations of government service organizations; and
- recording additional operating expenditures incurred by the Government's subsidiaries through which the Government has made these investments

[3] Total investment in government business partnerships includes:

| | | |
|---|---|---|
| Centennial Foods Partnership | **$ 19,614** | $ 19,939 |
| NewGrade Energy Inc | **14,931** | (4,804) |
| Foragen Technologies Limited Partnership | **2,275** | 3,000 |
| Meadow Lake Pulp Limited Partnership | **(48,266)** | (33,629) |
| | **$ (11,446)** | $ (15,494) |

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 5 - Accounts Payable and Accrued Liabilities

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| Transfers | $ 218,240 | $ 268,134 |
| Accrued employee benefits | 207,444 | 161,359 |
| Supplier payments | 201,440 | 194,568 |
| Accrued interest | 165,456 | 189,662 |
| Transfers to the federal government | 101,942 | 107,546 |
| Public employee benefit plans claims payable | 67,922 | 62,830 |
| Capital lease obligations (note 13) | 47,790 | 47,561 |
| Other | 75,291 | 125,024 |
| **Total Accounts Payable and Accrued Liabilities** | **$ 1,085,525** | $ 1,156,684 |

## Schedule 6 - Other Liabilities

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| **Funds held on behalf of government enterprises and others** | | |
| Saskatchewan Liquor and Gaming Authority | $ 32,348 | $ 12,925 |
| Millenium Scholarship Trust Fund | 9,781 | - |
| Queen's Bench Court Accounts | 8,335 | 9,614 |
| Public Employees' Pension Plan | 6,279 | 5,714 |
| Teachers' Superannuation Commission | 3,876 | 4,171 |
| Others | 22,141 | 21,078 |
| | 82,760 | 53,502 |
| **Other** | 16,289 | 6,902 |
| **Total Other Liabilities** | **$ 99,049** | $ 60,404 |

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 7 - Public Debt

(thousands of dollars)

| | 2002 | | | 2001 |
|---|---|---|---|---|
| | Gross Public Debt | Less Sinking Funds [3] | Public Debt | Public Debt |
| **Government Service Organizations** | | | | |
| General Revenue Fund [1] | $ 8,165,903 | $ 604,004 | $ 7,561,899 | $ 7,405,479 |
| Saskatchewan Opportunities Corporation | 165,201 | 2,798 | 162,403 | 150,252 |
| Saskatchewan Housing Corporation | 156,992 | 1,603 | 155,389 | 173,841 |
| District Health Boards | 123,241 | - | 123,241 | 124,622 |
| Information Services Corporation of Saskatchewan | 54,336 | - | 54,336 | 30,246 |
| Agricultural Credit Corporation of Saskatchewan | 39,351 | - | 39,351 | 59,835 |
| Saskatchewan Water Corporation | 42,242 | 3,294 | 38,948 | 38,603 |
| Crown Investments Corporation of Saskatchewan (non-consolidated) | 175,027 | 155,017 | 20,010 | 43,203 |
| Other | 12,113 | - | 12,113 | 6,476 |
| **Debt of Government Service Organizations** | 8,934,406 | 766,716 | 8,167,690 | 8,032,557 |
| **Government Enterprises** | | | | |
| Saskatchewan Power Corporation | 1,985,934 | 97,634 | 1,888,300 | 1,583,501 |
| SaskEnergy Incorporated | 857,194 | 15,431 | 841,763 | 717,493 |
| Saskatchewan Telecommunications Holding Corporation | 478,934 | 28,721 | 450,213 | 413,951 |
| Saskatchewan Gaming Corporation | 35,387 | - | 35,387 | 20,093 |
| Municipal Financing Corporation of Saskatchewan | 33,865 | - | 33,865 | 62,075 |
| | 3,391,314 | 141,786 | 3,249,528 | 2,797,113 |
| Adjustments to March 31 | 33,639 | 8,415 | 25,224 | 245,808 |
| **Debt of Government Enterprises** [2] | 3,424,953 | 150,201 | 3,274,752 | 3,042,921 |
| **Total Public Debt** [4] | $ 12,359,359 | $ 916,917 | $ 11,442,442 | $ 11,075,478 |

Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

[1] General Revenue Fund debt is shown net of $3,149.3 million (2001 - $3,010.7 million) reimbursable from government enterprises and $458.9 million (2001 - $468.3 million) reimbursable from government service organizations.

[2] The debt of government enterprises is as presented in their audited financial statements closest to March 31, 2002, as disclosed on schedule 3. The balance is adjusted for the net change to March 31, 2002.

[3] See schedule 8 for information on sinking funds.

[4] See schedule 9 for information on public debt by maturity.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 8 - Sinking Funds

(thousands of dollars)

| | 2001 | 2002 | | | | |
|---|---|---|---|---|---|---|
| | Sinking Funds | Contributions | Earnings | Less Redemptions | Currency Adjustment | Sinking Funds |
| **Government Service Organizations** | | | | | | |
| General Revenue Fund | $ 507,276 | $ 58,677 | $ 35,216 | $ - | $ 2,835 | $ 604,004 |
| Crown Investments Corporation of Saskatchewan (non-consolidated) | 232,992 | 5,000 | 10,850 | 93,825 | - | 155,017 |
| Saskatchewan Water Corporation | 2,832 | 302 | 160 | - | - | 3,294 |
| Saskatchewan Opportunities Corporation | 1,813 | 850 | 135 | - | - | 2,798 |
| Saskatchewan Housing Corporation | 949 | 585 | 69 | - | - | 1,603 |
| Agricultural Credit Corporation of Saskatchewan | 7,116 | - | 181 | 7,297 | - | - |
| **Sinking Funds of Government Service Organizations** | 752,978 | 65,414 | 46,611 | 101,122 | 2,835 | 766,716 |
| **Government Enterprises** | | | | | | |
| Saskatchewan Power Corporation | 77,217 | 9,865 | 7,461 | - | 3,091 | 97,634 |
| Saskatchewan Telecommunications Holding Corporation | 31,856 | 3,432 | 2,589 | 10,528 | 1,372 | 28,721 |
| SaskEnergy Incorporated | 54,443 | 5,670 | 1,239 | 45,921 | - | 15,431 |
| | 163,516 | 18,967 | 11,289 | 56,449 | 4,463 | 141,786 |
| Adjustments to March 31 | (39,870) | (2,340) | (2,358) | (56,449) | (3,466) | 8,415 |
| **Sinking Funds of Government Enterprises** | 123,646 | 16,627 | 8,931 | - | 997 | 150,201 |
| **Total Sinking Funds** | $ 876,624 | $ 82,041 | $ 55,542 | $ 101,122 | $ 3,832 | $ 916,917 |

The market value of sinking funds, at March 31, 2002, is $912.3 million (2001 - $890.3 million).

Sinking fund earnings include gains on investment sales of $4.4 million (2001 - $7.5 million).

Annual contributions, when established by Order in Council, are set at not less than 1 per cent of debentures outstanding. The redemption value is based on the market value of the sinking fund units at the date of redemption.

The aggregate amount of contributions estimated to be required in each of the next five fiscal years to meet sinking fund requirements are:

(thousands of dollars)

| | Government Service Organizations | Government Enterprises | Total |
|---|---|---|---|
| 2002-03 | $ 63,796 | $ 19,277 | $ 83,073 |
| 2003-04 | 63,796 | 19,277 | 83,073 |
| 2004-05 | 60,906 | 18,480 | 79,386 |
| 2005-06 | 51,380 | 18,382 | 69,762 |
| 2006-07 | 49,198 | 17,564 | 66,762 |
| | $ 289,076 | $ 92,980 | $ 382,056 |

Sinking fund assets have been invested as follows:

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| Long-term Investments | | |
| Governmentof Saskatchewan securities; coupon interest range 4.8% to 10.3%; maturing in 1.3 to 29.4 years | $ 312,711 | $ 370,036 |
| Other provincial governments' securities; coupon interest range 5.3% to 10.5%; maturing in 4.0 to 37.3 years | 275,749 | 275,634 |
| Government of Canada securities; coupon interest range 5.0% to 7.3%; maturing in 1.5 to 27.2 years | 226,235 | 43,291 |
| Government of the United States securities; coupon interest range 3.5% to 8.9%; maturing in 4.6 to 28.9 years | 47,628 | 17,558 |
| Other long-term investments | - | 12,951 |
| Cash, short-term investments and accrued interest | 54,594 | 157,154 |
| **Total Sinking Funds** | $ 916,917 | $ 876,624 |

Short-term investments include $0 (2001 - $135.7 million) Government of Saskatchewan securities.

Cash, short-term investments and accrued interest are disclosed net of $2.0 million (2001 - $7.9 million) in liabilities.

Included are U.S. dollar cash, investments and accrued interest converted to $337.6 million Canadian (2001 - $289.6 million) at the exchange rate in effect at March 31, 2002 of 1.5935 (2001 - 1.5774).

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 9 - Public Debt by Maturity

(thousands of dollars)

| Year of Maturity | 2002 Canadian Dollar Debt | 2002 U.S. Dollar Debt (CDN $) | 2002 Total (CDN $) | 2002 Average Coupon Rate | 2001 Total (CDN$) | 2001 Average Coupon Rate |
|---|---|---|---|---|---|---|
| **Government Service Organizations** | | | | | | |
| Short-term promissory notes | $ 232,400 | $ - | $ 232,400 | 2.26% | $ 392,100 | 5.01% |
| 2001-02 | - | - | - | - | 791,515 | 8.42% |
| 2002-03 | 412,801 | - | 412,801 | 9.64% | 385,870 | 9.96% |
| 2003-04 | 370,998 | - | 370,998 | 7.42% | 374,010 | 7.41% |
| 2004-05 | 1,120,811 | - | 1,120,811 | 8.51% | 1,126,578 | 8.49% |
| 2005-06 | 768,842 | - | 768,842 | 6.20% | 721,859 | 6.30% |
| 2006-07 | 1,130,294 | - | 1,130,294 | 5.85% | - | - |
| **1-5 years** | 4,036,146 | - | 4,036,146 | | 3,791,932 | |
| 6-10 years | 2,049,891 | - | 2,049,891 | 6.90% | 2,248,415 | 6.97% |
| 11-15 years | 989,124 | 677,238 | 1,666,362 | 8.66% | 1,753,230 | 8.74% |
| 16-20 years | 104,607 | 478,050 | 582,657 | 8.79% | 569,218 | 8.74% |
| 21-25 years | - | 159,350 | 159,350 | 8.50% | 172,740 | 8.60% |
| Thereafter | 440,000 | - | 440,000 | 6.03% | 250,000 | 5.75% |
| | 7,619,768 | 1,314,638 | 8,934,406 | | 8,785,535 | |
| Less: Sinking funds | (519,047) | (247,689) | (766,716) | | (752,978) | |
| **Debt of Government Service Organizations** | 7,100,721 | 1,066,969 | 8,167,690 | | 8,032,557 | |
| **Government Enterprises** | | | | | | |
| Short-term promissory notes | 169,600 | - | 169,600 | 2.26% | 241,000 | 5.01% |
| 2001-02 | - | - | - | - | 43,579 | 13.39% |
| 2002-03 | 22,042 | - | 22,042 | 12.51% | 16,529 | 13.36% |
| 2003-04 | 159,430 | 12,748 | 172,178 | 9.38% | 176,150 | 9.35% |
| 2004-05 | 210,607 | - | 210,607 | 11.45% | 205,878 | 11.52% |
| 2005-06 | 194,830 | - | 194,830 | 9.82% | 189,259 | 9.88% |
| 2006-07 | 131,777 | - | 131,777 | 9.51% | - | - |
| **1-5 years** | 888,286 | 12,748 | 901,034 | | 872,395 | |
| 6-10 years | 618,821 | 197,594 | 816,415 | 7.72% | 918,430 | 7.96% |
| 11-15 years | 29,811 | 119,512 | 149,323 | 7.36% | 129,800 | 7.54% |
| 16-20 years | 299,817 | 318,700 | 618,517 | 9.23% | 350,646 | 9.10% |
| 21-25 years | 196,148 | 318,700 | 514,848 | 8.55% | 730,480 | 8.92% |
| Thereafter | 424,816 | - | 424,816 | 6.23% | 164,816 | 5.70% |
| | 2,457,699 | 967,254 | 3,424,953 | | 3,166,567 | |
| Less: Sinking funds | (60,287) | (89,914) | (150,201) | | (123,646) | |
| **Debt of Government Enterprises** | 2,397,412 | 877,340 | 3,274,752 | | 3,042,921 | |
| **Total Public Debt** | $ 9,498,133 | $ 1,944,309 | $ 11,442,442 | | $ 11,075,478 | |

See page 71 for additional information.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 9 (continued) - Public Debt by Maturity

The average effective interest rate paid on total public debt during 2001-02 was 7.96 per cent (2000-01 restated - 8.92 per cent). The average term to maturity of total public debt outstanding at March 31, 2002 is 9.2 years (2001 - 8.9 years). The average effective interest rate includes the impact of foreign exchange and the amortization of any premiums or discounts associated with the debentures.

Total public debt includes Canada Pension Plan debentures of $1,219.6 million (2001 - $1,329.3 million) that are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada. These debentures are callable in whole or in part before maturity, on 30 days prior notice, at the option of the Minister of Finance of Saskatchewan.

Total public debt includes $390.0 million (2001 - $310.0 million) that provide the holder with a choice of dates on which the debt matures. The year of maturity in the previous table reflects the earliest possible date of maturity rather than the maximum term to maturity.

**Sensitivity of Debt Charges**

U.S. dollar debentures have been converted to Canadian dollars at the exchange rate in effect at March 31, 2002 of 1.5935 (2001 - 1.5774). A one cent change in the value of the U.S. dollar compared to the Canadian dollar from the March 31, 2002 level would change debt charges by $3.2 million in 2002-03.

Debt of government service organizations includes floating rate debt of $1,632.6 million (2001 - $1,950.7 million). Floating rate debt is defined as the sum of floating rate debentures, short-term promissory notes, fixed rate debt maturing within one year and Saskatchewan Savings Bonds. A one percentage point increase in interest rates would result in an increase in debt charges of $16.3 million in 2002-03.

**Derivative Financial Instruments**

Cross Currency Swaps

Included in total public debt are the following foreign-denominated debt issues that have been hedged to Canadian dollars using cross currency swaps:

- debentures totalling 22.5 billion yen (2001 - 22.5 billion) fully hedged to $259.2 million Canadian (2001 - $259.2 million);
- debentures totalling $862.0 million U.S. (2001 restated - $862.0 million) fully hedged to $1,192.4 million Canadian (2001 restated - $1,192.4 million);
- debentures totalling 102.3 million euros (2001 - 102.3 million) fully hedged to $154.1 million Canadian (2001 - $154.1 million); and
- debentures totalling 0 Swiss francs (2001 - 200.0 million) fully hedged to $0 Canadian (2001 - $145.4 million).

In total, the Government has cross currency swaps on a notional value of $2,089.8 million (2001 - $2,235.2 million) of debt.

The Government also has future interest obligations totalling $12.5 million U.S. (2001 - $35.3 million) hedged to $17.6 million Canadian (2001 - $49.9 million).

Interest Rate Swaps and Forward Rate Agreements

The Government has interest rate swaps on a notional value of debt of $1,197.2 million (2001 - $997.2 million) and forward rate agreements on a notional value of debt of $125.0 million (2001 - $0).

Foreign Currency Forward Exchange Contracts

The Government has forward purchase commitments to acquire, during 2002-03, $3.0 million U.S. (2001 - $0) at a cost of $4.8 million Canadian (2001 - $0).

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 10 - Guaranteed Debt

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| The Industry and Commerce Development Act | | |
| Saskferco Products Inc. | $ 115,171 | $ 142,797 |
| The NewGrade Energy Inc. Act | | |
| NewGrade Energy Inc. | 78,093 | 93,038 |
| Crown Investments Corporation of Saskatchewan (non-consolidated) | | |
| NewGrade Energy Inc. | 59,654 | 71,021 |
| The Power Corporation Act | | |
| Luscar Ltd. | 23,465 | 25,105 |
| National Trust Company | 10,003 | 12,007 |
| The Farm Financial Stability Act | | |
| Breeder associations | 16,224 | 15,970 |
| Feeder associations | 11,839 | 15,560 |
| Other | 8,602 | 11,173 |
| **Total Guaranteed Debt** | $ 323,051 | $ 386,671 |

Total guaranteed debt is net of a loss provision of $1.8 million (2001 - $2.2 million).

In addition to the amount shown, there is a contingent liability for interest accrued on these items.

See page 73 for additional information.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 10 (continued) - Guaranteed Debt

### Saskferco Products Inc. (Saskferco)

The Government has guaranteed certain medium-term notes issued by Saskferco to finance the construction of a nitrogen based fertilizer plant located near Belle Plaine.

This guarantee pertains to debt denominated in U.S. dollars. Thus, the amount of the guarantee is influenced by changes in the value of the U.S. dollar relative to the Canadian dollar. This note is due in 2003. The amount recorded is net of $120.7 million (2001 - $119.1 million) for Saskferco's equity in a sinking fund.

### NewGrade Energy Inc. (NewGrade)

The Government has guaranteed certain long-term debt of NewGrade to a maximum of $360 million. A significant portion of this guarantee relates to U.S. denominated debt. Thus, the amount of the guarantee is influenced by changes in the value of the U.S. dollar relative to the Canadian dollar. At March 31, 2002, the Government's guarantee is $78.1 million (2001 - $93.0 million).

The Government has also indemnified the Government of Canada for its guarantee of NewGrade's long-term debt, to a maximum of $275 million. At March 31, 2002, the Government's guarantee is $59.7 million (2001 - $71.0 million).

### Luscar Ltd.

The Government has guaranteed a $45 million promissory note issued by Luscar Ltd. to finance the purchase of a dragline from Saskatchewan Power Corporation. The note is due in 2003. The amount recorded is net of $21.5 million (2001 - $19.9 million) for Luscar Ltd's equity in a sinking fund administered by the Minister of Finance.

### National Trust Company

The Government is contingently liable for payments on certain leased mining equipment, which was assumed by the purchaser of a mining operation. The lease expires in 2004.

### Breeder and Feeder Associations

The Government provides guarantees to lenders who make loans to production associations. The Government guarantees repayment of 25 per cent of the outstanding loan balance at the time of a first default on any advance, plus accrued interest as of the time that payment is to be made on the guarantee. Guarantees for each cattle or bison association are limited to $5 million under both the breeder and feeder options. Guarantees for each sheep association are limited to $4 million under both the breeder and feeder options.

### Other

Other includes guarantees under $10 million.

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 11 - Revenue

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| **Taxation** | | |
| Individual income | $ 1,196,410 | $ 1,255,409 |
| Sales | 770,984 | 736,563 |
| Corporation capital | 363,204 | 342,242 |
| Fuel | 353,765 | 345,136 |
| Corporation income | 145,338 | 333,299 |
| Tobacco | 120,049 | 122,012 |
| Other | 73,578 | 68,595 |
| Total Taxation | 3,023,328 | 3,203,256 |
| **Non-renewable Resources** | | |
| Oil | 555,337 | 799,049 |
| Potash | 179,658 | 199,296 |
| Natural gas | 129,067 | 239,305 |
| Other | 38,982 | 55,064 |
| Total Non-renewable Resources | 903,044 | 1,292,714 |
| **Other Own-source Revenue** | | |
| Fees, permits and licences | 542,858 | 484,321 |
| Interest and dividends | 91,966 | 114,223 |
| Equity investments | 9,043 | 73,493 |
| Insurance | 82,682 | 69,635 |
| Gain on sale of investments | 111,517 | - |
| Other | 232,081 | 182,071 |
| Total Other Own-source Revenue | 1,070,147 | 923,743 |
| **Total Own-source Revenue** | 4,996,519 | 5,419,713 |
| **Transfers from the Federal Government** | | |
| Canada Health and Social Transfer | 608,908 | 552,378 |
| Equalization | 492,017 | 175,247 |
| Crop insurance premium contributions | 79,208 | 78,925 |
| Housing subsidy | 52,854 | 55,126 |
| Other | 284,893 | 167,147 |
| **Total Transfers from the Federal Government** | 1,517,880 | 1,028,823 |
| **Total Revenue** | $ 6,514,399 | $ 6,448,536 |

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 12 - Gains and Losses on Other Investments

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| **Gain (Loss) on Sale of Other Investments** | | |
| Cameco Corporation | $ 111,517 | $ - |
| Gain on Sale of Other Investments | 111,517 | - |
| **Earnings (Losses) from Equity Investments** | | |
| NewGrade Energy Inc. | 19,735 | 51,809 |
| Saskferco Products Inc. | 3,225 | 3,065 |
| Foragen Technologies Limited Partnership | (725) | - |
| Centennial Foods Partnership | (337) | (61) |
| Meadow Lake Pulp Limited Partnership | (15,009) | 17,712 |
| Other | 2,154 | 968 |
| Net Earnings from Equity Investments | 9,043 | 73,493 |
| **Provision for Investment Losses** | (6,164) | (3,543) |
| **Gain on Other Investments** | $ 114,396 | $ 69,950 |

## Schedule 13 - Net Change in Non-cash Operating Activities

(thousands of dollars)

| | 2002 | 2001 |
|---|---|---|
| Decrease (increase) in prepaid expenditures | $ (3,741) | $ (7,409) |
| Decrease (increase) in accounts receivable | (47,166) | 141,273 |
| Decrease (increase) in inventories held for resale | 53 | (858) |
| Decrease (increase) in deferred charges | 7,419 | (23,467) |
| Increase (decrease) in accounts payable and accrued liabilities | (71,159) | (292,925) |
| Increase (decrease) in unearned revenue | 17,297 | 19,882 |
| **Net Change in Non-cash Operating Activities** | $ (97,297) | $ (163,504) |

# Government of Saskatchewan
# Schedules to the Summary Financial Statements

## Schedule 14 - Reporting Entity

### Government Service Organizations (Consolidated)

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Equity Fund
Agri-Food Innovation Fund
Board of Governors, Uranium City Hospital
Cattle Marketing Deductions Fund
CIC Industrial Interests Inc. [4c]
Commercial Revolving Fund
Community Initiatives Fund [2]
Correctional Facilities Industries Revolving Fund
Correspondence School Revolving Fund
Crop Reinsurance Fund of Saskatchewan
Crown Investments Corporation of Saskatchewan (non-consolidated) [4c]
District Health Boards
Extended Health Care Plan [4c]
Extended Health Care Plan for Certain Other Employees [4c]
Fiscal Stabilization Fund
Fish and Wildlife Development Fund
Forest Fire Contingency Fund [1]
General Revenue Fund
Government House Foundation [1]
Health Services Utilization and Research Commission
Highways Revolving Fund
Horned Cattle Fund
Information Services Corporation of Saskatchewan [4c]
Law Reform Commission of Saskatchewan
Learning Resources Distribution Centre Revolving Fund
Livestock Services Revolving Fund
Milk Control Board [4c]
Northern Revenue Sharing Trust Account [4c]
Oil and Gas Environmental Fund
Operator Certification Board
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Public Employees Benefits Agency Revolving Fund
Public Employees Dental Fund [4c]
Public Employees Disability Income Fund [4c]
Public Employees Group Life Insurance Fund [4c]
Queen's Printer Revolving Fund
Regional Colleges [3, 4a]
Resource Protection and Development Revolving Fund
Saskatchewan Agricultural Stabilization Fund
Saskatchewan Apprenticeship and Trade Certification Commission [4a]
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Cancer Foundation
Saskatchewan Centre of the Arts Fund
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Development Fund Corporation [4c]
Saskatchewan Grain Car Corporation [4b]
Saskatchewan Health Information Network
Saskatchewan Heritage Foundation
Saskatchewan Housing Corporation [4c]
Saskatchewan Institute of Applied Science and Technology [4a]
Saskatchewan Legal Aid Commission
Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation
Saskatchewan Opportunities Corporation [4c]
Saskatchewan Property Management Corporation
Saskatchewan Research Council
Saskatchewan Student Aid Fund
Saskatchewan Transportation Company [4c]
Saskatchewan Water Corporation [4c]
Saskatchewan Western Development Museum
Saskatchewan Wetland Conservation Corporation
Sask911 Account
St. Louis Alcoholism Rehabilitation Centre
Training Completions Fund
Transportation Partnerships Fund
Victims' Fund
Water Appeal Board

### Government Enterprises (Modified Equity Method)

Municipal Financing Corporation of Saskatchewan
Saskatchewan Auto Fund
Saskatchewan Gaming Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Liquor and Gaming Authority
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
SaskEnergy Incorporated
Workers' Compensation Board (Saskatchewan)

[1] Organization established during 2001-02.
[2] Name changed from Associated Entities Fund during 2001-02.
[3] Includes eight colleges that were listed separately in previous years.
[4] The year-ends of certain government service organizations differ from March 31, 2002: [a] June 2001; [b] July 2001; and [c] December 2001.